INTERIM STUDY COMMITTEE ON ECONOMIC DEVELOPMENT

Legislative Services Agency
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MEETING MINUTES[1]

Meeting Date: October 11, 2011
Meeting Time: 10:00 A.M.
Meeting Place: Subaru of Indiana Automotive, Inc. Training and Reception Center, 5500 State Road 38 East
Meeting City: Lafayette, Indiana
Meeting Number: 3

Members Present: Sen. Brandt Hershman, Co-Chairperson; Rep. Mark Messmer, Co-Chairperson; Sen. James Arnold; Daniel Hasler; Art Evans; Mark Becker; Jeff Quyle; Tom Easterday; Chris Lowery; Nate Schnellenberger.

Members Absent: Rep. Scott Reske; Mayor Shawna Girgis; Sonny Beck; Angela Faulkner; Mickey Maurer; Joe Breedlove.

Senator Brandt Hershman called the meeting to order at 10:00 a.m.

Matt Conrad, Project Director, Indiana Automotive Council (IAC), addressed the topic of whether Indiana has a competitive advantage in the automobile industry. Mr. Conrad made some initial comments about the IAC. He explained that the IAC exists to enhance, grow and promote the automotive industry in Indiana, focusing on competitiveness in the global automotive marketplace and stimulating long-term job creation and capital

[1] These minutes, exhibits, and other materials referenced in the minutes can be viewed electronically at http://www.in.gov/legislative Hard copies can be obtained in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for hard copies may be mailed to the Legislative Information Center, Legislative Services Agency, West Washington Street, Indianapolis, IN 46204-2789. A fee of $0.15 per page and mailing costs will be charged for hard copies.

investment. IAC's vision, he declared, is to make Indiana the automotive state of tomorrow.

Mr. Conrad's presentation included the following:

- A review of various data on the automotive industry as part of the Indiana economy, including total industry employment, the industry's contribution to Indiana's gross domestic product, car and light truck production, and assembly facilities.
- An analysis of the strengths and weaknesses of, opportunities for, and threats to the industry.
- A discussion of key strategic initiatives, including developing the best workforce, having the strongest supply chain, promoting the Indiana "brand", and being the most innovative.
- Identification of a number of critical issues, specifically the desirability of:
    - promoting science, technology, engineering and math and advanced manufacturing programs in K-12;
    - implementing advanced manufacturing/logistics curriculum;
    - improving training for automotive workers;
    - strengthening relationships between industry and higher education.
    - attracting more high-value-add suppliers to Indiana;
    - attracting more headquarters and research/design/development facilities to Indiana;
    - branding Indiana as an automotive leader; and developing
    - unique niches where Indiana can be a global leader.

Mr. Conrad closed by offering two legislative recommendations:

(1) Move the expiration date of the Hoosier Alternative Fuel Vehicle Manufacturer Tax Credit from December 31, 2011, to December 31, 2016, or make it permanent.
(2) Enact a tax credit designed to entice companies to relocate automotive research, design and development facilities in Indiana.

See Exhibit 1 for a copy of Mr. Conrad's presentation.

David Holt, Vice President of Operations and Business Development, Conexus Indiana, spoke next on the topic of whether Indiana has a competitive advantage in logistics.

Mr. Holt informed the Committee that Conexus Indiana has started a Logistics Council to work on:

- enhancing the environment for companies in advanced manufacturing and logistics;
- creating a more attractive environment for manufacturing and logistics companies to relocate or expand in Indiana; and
- creating high paying jobs for Hoosiers.

Mr. Holt recommended that policies should be implemented to do the following:

- Enhance intermodal facilities in Indiana to bypass the Chicago bottleneck.
- Increase air cargo flights to and from Indiana airports.
- Assist in construction and redesign of key locks on navigable waterways.
- Help complete key infrastructure projects in bottleneck regions.
- Provide a logistics tax credit to attract and retain logistics companies.
- Improve industry-driven logistics high school and postsecondary curriculum.

Mr. Holt concluded by emphasizing that Indiana should take the following actions:

- Support federal funding of locks.

- Hasten adoption of the transportation and logistics income tax credit.
- Place private sector identified non-Indiana Department of Transportation projects on the Department's long-term priority list.
- Promote aircraft maintenance licensing curricula at high schools and in post-secondary institutions.

See Exhibit 2 for a copy of Mr. Holt's presentation.

Daniel Hasler, Indiana Secretary of Commerce and Chief Executive Officer of the Indiana Economic Development Corporation (IEDC), spoke on the topic of best practices in state and local economic development policies and activities. His presentation was titled "Economic Gardening in Indiana".

Secretary Hasler began with some positive observations: Indiana was in the top three states in growth in gross domestic product in 2010 at a 4.6% growth rate, is a top ten pro-business state, is one of the top two best states for job growth, won its first gold shovel award for economic development, is one of the nation's lowest tax and regulation states, and is very attractive for starting a new life sciences business.

He noted that different size companies need different types of soil, meaning that the needs and priorities of an organization change as the organization grows. Consequently, IEDC's support attempts to match assistance to the needs of the enterprise.

With that observation, Secretary Hasler began a review of the last two years of the Twenty-First Century Research and Technology Fund. He explained that the Fund has focused on early stage companies because Indiana has not had a culture of high risk/high return investment. He added that since 1999, there have been 197 awards in 24 counties. He reviewed both the failures and successes of businesses helped by the Fund. He indicated that the goal is for the Fund to establish a self-sustaining private high risk venture capital community.

Secretary Hasler also described the Elevate Ventures program, which is a tax exempt, nonprofit statewide venture funding entity. Its formation immediately allowed Indiana to receive $34.3 million in federal funds. He emphasized the importance of the IEDC's due diligence in reviewing applicants for the Elevate Ventures program. He also mentioned that the IEDC supports the federally funded Indiana Small Business Development Center and presented various data on the Center's activities since 2007.

Secretary Hasler went on to describe the IEDC's work with regional economic development organizations and local economic development organizations. He presented data on total competitive projects, private sector job projections, the average Hoosier wage, and private sector investment projections. He described what matters to companies when making a move. He added that one of the most often heard positives about Indiana is that there is collaboration amongst state and local groups to solve problems.

Finally, Secretary Hasler recommended that Indiana make improvements in workforce development, in having shovel ready sites available, and providing employer relocation assistance. He said that stimulating venture capital, supporting small business, and retaining and attracting businesses are required for Indiana to have a healthy economy.

See Exhibit 3 for a copy of Secretary Hasler's presentation.

Bill Dory, President, Indiana Economic Development Association (IEDA), and Executive Director, Greencastle Putnam County Development Center, spoke on best practices in state and local economic development policies and activities. Mr. Dory focused on state and local collaboration.

Mr. Dory emphasized that economic development is a team effort. At the local level, economic development professionals work to assemble those teams. Mr. Dory added that local economic development organizations in Indiana work well with the IEDC.

Mr. Dory also commented on the effectiveness of incentives. Incentives, he said, cannot make up for a bad site selection decision. Also, between the alternatives of attracting a new business and retaining an existing business, at the local level retaining an existing business is easier.

On the topic of regional collaboration, Mr. Dory pointed out that there are only two counties in Indiana that are not participating in a regional economic development organization. There is a widely shared understanding that the benefits of a project--increased employment and business activity--also have impacts outside the political boundaries in which the project is located. The IEDC, he remarked, has been great at promoting regional collaboration.

Mr. Dory concluded by commenting on some ideas and trends that came up during the 2011 legislative session about which he and the IEDA members have concerns:

- Restricting local government in using tax increment financing is problematic for economic development.

- County economic development income tax (CEDIT) revenue has been diverted to pay for other government responsibilities and consequently there is less money available to fund economic development efforts.

- The elimination of personal property taxes would put pressure on the operations of local government, resulting in additional reallocation of money away from economic development.

- There is also pressure on maintenance and improvement of infrastructure, highways in particular, which are essential for economic development. We need to improve highways so that small suppliers in rural areas can participate in just-in-time inventory supply.

Jeff Terp, Vice President for Engagement, Ivy Tech Community College, and Interim President of Ivy Tech's Corporate College, spoke on the topic of Ivy Tech's support for economic development.

Mr. Terp said first that Ivy Tech's Corporate College, just launched, is intended to create a positive answer to the question of whether Indiana businesses are globally competitive. There are three questions that are continually motivating Ivy Tech's development efforts:

(1) How do we train incumbent workers?
(2) How do we give displaced workers the training they need to become productive?
(3) How do we go about matching skilled workers in one part of the state to demand in other parts of the state?

Mr. Terp said that Ivy Tech conducted a survey of business executives and asked them what they need from Ivy Tech. The response was surprising. The top seven items from the survey returns were "soft" skills, among them training in leadership, lean processes like Six Sigma, communications, and conflict avoidance.

Mr. Terp pointed out that Ivy Tech is the only statewide community college in the nation and this fact is a decided advantage for Indiana. He gave the example of Honda. He said Honda wanted a training program that would be available for all their workers throughout Indiana. The Honda people, he related, really liked being able to deal with one community college to accomplish that goal. **Tom Easterday,** Committee member and Senior Vice President for Subaru of Indiana Automotive, underscored this point. He commented that Subaru has a great relationship with Ivy Tech and Ivy Tech is able to provide customized curricula for different employers.

Senator Hershman asked whether there was any particular skill area in need of remedial training that Ivy Tech sees frequently. Mr. Terp acknowledged that math skills are an important area where remedial training is often needed, but that not everyone needs the same math skills. Ivy Tech, he said, puts significant effort into trying to discover what the necessary math skills are and what training would be most effective to correct that deficiency.

Duane Dunlap, Associate Dean for Statewide Technology and Engagement, College of Technology, Purdue University, and **Melissa Dark,** Associate Dean for Research and Strategic Planning, College of Technology, Purdue University, continued on the theme of educational support for economic development with a joint presentation on Purdue's College of Technology and its dual mission to advance Indiana's technology know-how.

Dean Dunlap described the College of Technology's educational mission. The College of Technology has statewide reach, with ten locations in Indiana. Three key questions animate the teaching mission of the College of Technology:

(1) What are we doing to keep jobs in Indiana?
(2) How do we create new opportunities?
(3) How do we improve the quality of life for our graduates and the people of Indiana?

Dean Dunlap added these observations about College of Technology graduates:

- 82% of graduates continue to reside in the communities where they studied for their degrees; and
- the majority of graduates work in Tier 2 and Tier 3 companies.

Dean Dunlap described a close cooperation with Ivy Tech that allows a student to take her first two years at either Purdue or Ivy Tech and then move to the College of Technology for her final two years to obtain her bachelor's degree.

Dean Dark described the College of Technology's mission to support regional entrepreneurship and innovation clusters. One part of this aspect of the College of Technology's mission is the College of Technology's readiness to create, support, and participate in several different networks of businesses and educational institutions:

- Indiana Innovation Network, devoted to technology transfer, at http://www.indianainnovation.org;
- Indiana Business Growth Network, devoted to assistance for second-stage companies, at http://www.pcrd.purdue.edu/What_We_Do/IBGN/default.aspx; and
- an idea for a new network--the Indiana Prototyping Collaborative Network, based on the proposition that prototyping is essential for testing the functionality and market acceptance of new product ideas.

See Exhibit 4 for a copy of the presentation by Deans Dark and Dunlap; see Exhibit 5 for a supplementary outline describing opportunities involved in building regional economic ecosystems.

Suresh Garimella, Assistant Vice President of Engagement, Purdue University, gave the final talk of the meeting on best practices in state and local economic development policies and activities.

Mr. Garimella began by saying that an ever-present question for the leaders at Purdue University is: how do we improve the lives of people in Indiana? He gave several examples to illustrate this motivation:

- the Purdue Technical Assistance Program (TAP) -- $100 million in benefits;
- the Purdue Technology Parks in West Lafayette, at the Indianapolis airport, and in Merrillville; and
- $1.3 billion impact of grants from the Purdue Research Foundation.

Mr. Garimella said that the following things are what count in the knowledge-based economy:

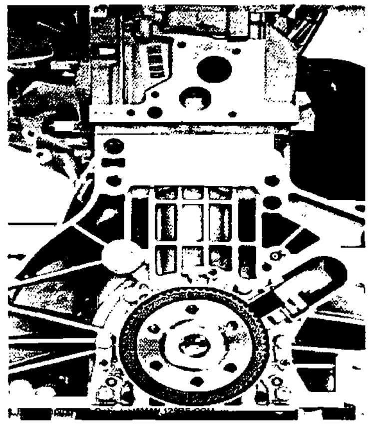
- Brain power, in terms of education and know-how.
- Innovativeness and an innovative culture.
- High-speed connectivity.
- Robust health care.
- Narratives--what stories do we tell ourselves?
- Who are the leaders who can manage innovation?

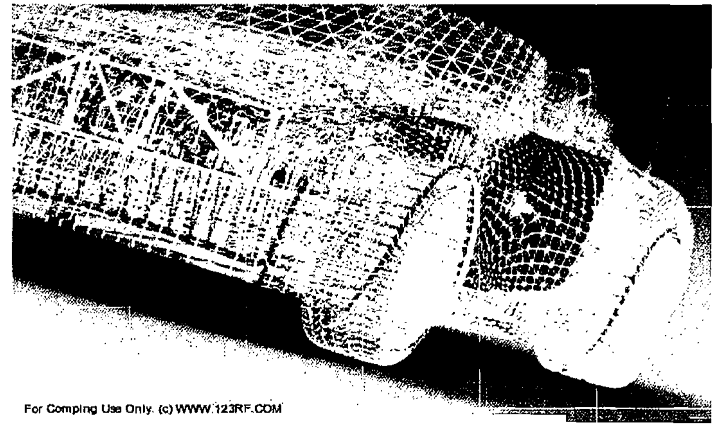
Finally, Mr. Garimella listed some lessons learned about economic development, including the following:

- Collaboration across geopolitical boundaries is essential.
- Local economies have no respect for lines on a map--regions are not necessarily geographic.
- Economic development is a contact sport. Face-to-face relationships are important; trust is important.
- Economic development is based on a coalition of the willing.
- Leaders who are successful in economic development show a willingness to share.

Senator Hershman reminded the Committee that there would be two more meetings of the Committee: the next meeting will be on October 17th and the final meeting on October 24th.

Senator Hershman adjourned the meeting at 12:51 p.m.





INDIANA
AUTOMOTIVE
COUNCIL

Interim Study Committee on Economic Development

October 11, 2011

Subaru of Indiana Automotive, Inc.
Training & Reception Center
5501 State Road 38 East
Lafayette, Indiana

ICED
OCT 11, 2011
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I N D I A N A
AUTOMOTIVE
C O U N C I L

MISSION

The Indiana Automotive Council ("IAC") exists to enhance, grow and promote the automotive industry in Indiana. The IAC focuses on strengthening the competitiveness of Indiana in the global automotive marketplace to stimulate long-term job creation and capital investment.

The IAC's vision is to make Indiana the automotive state of tomorrow.

STRUCTURE

The IAC is a collaboration between industry, government and higher education. The Council is led by senior executives from the automotive industry with the shared vision of growing automotive manufacturing within the State of Indiana. These executives represent the most influential, most innovative and fastest growing automotive companies.

INDIANA AUTOMOTIVE COUNCIL

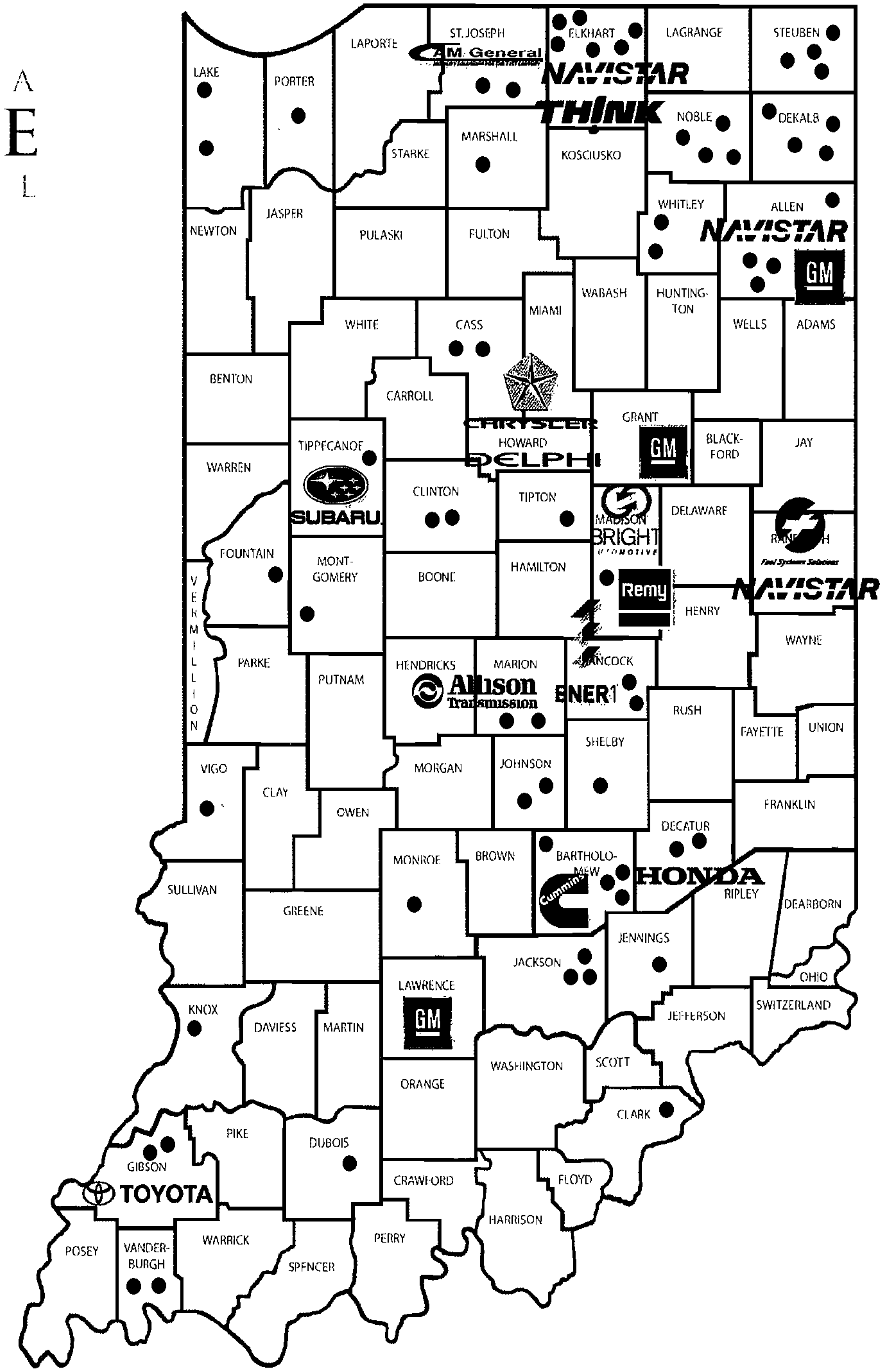
Contributions of the Automotive Industry to the Indiana Economy

- Indiana's Total Industry Employment Contribution (2010): 515,822
  - Total OEM jobs: 232,888
  - Total Parts jobs: 253,255
- Indiana Ranks 2nd in Nation in Auto Contribution as % of Labor Force: 13.9% (2010)
- The Automotive Industry contributed over $8.9 billion to Indiana's GDP (2009)

**Source: Center for Automotive Research , 2010*

INDIANA AUTOMOTIVE COUNCIL

Key and Emerging Automotive Companies



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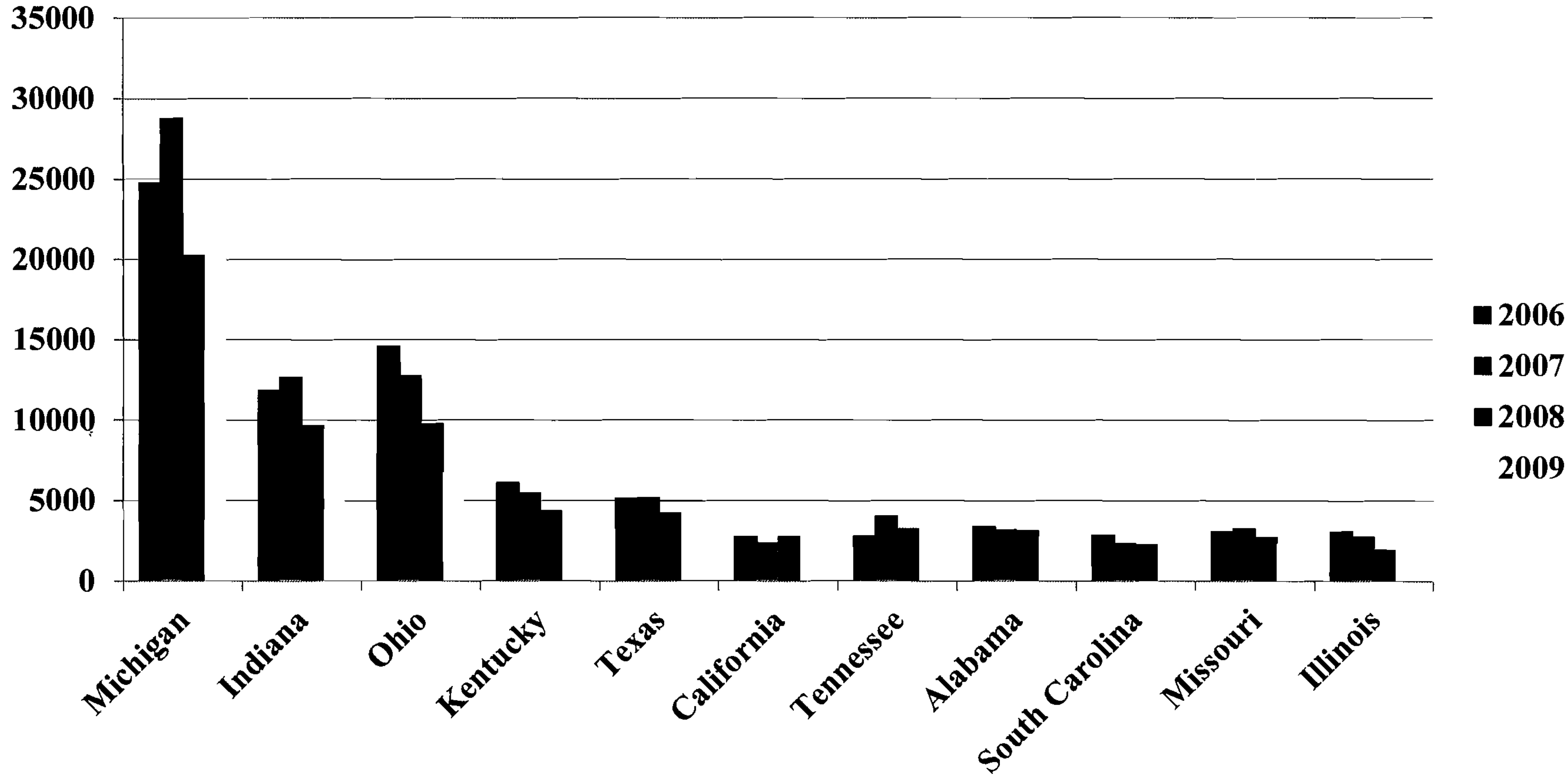
GDP by State in millions
(motor vehicle, body, trailer, and parts Manufacturing)



* *Bureau of Economic Analysis*

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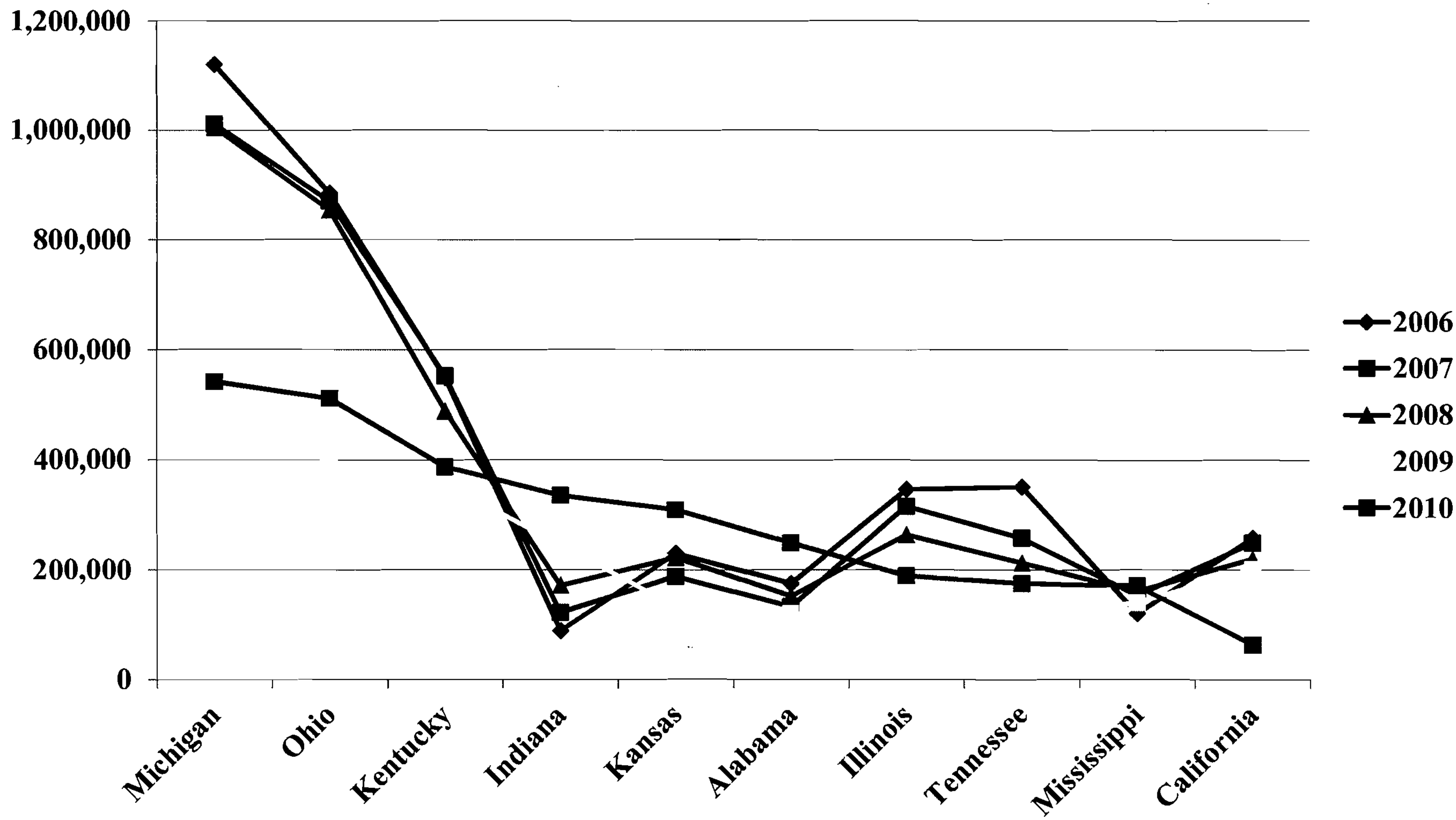
U.S. Car Production by State



* *Automotive News Data Center and company sources*

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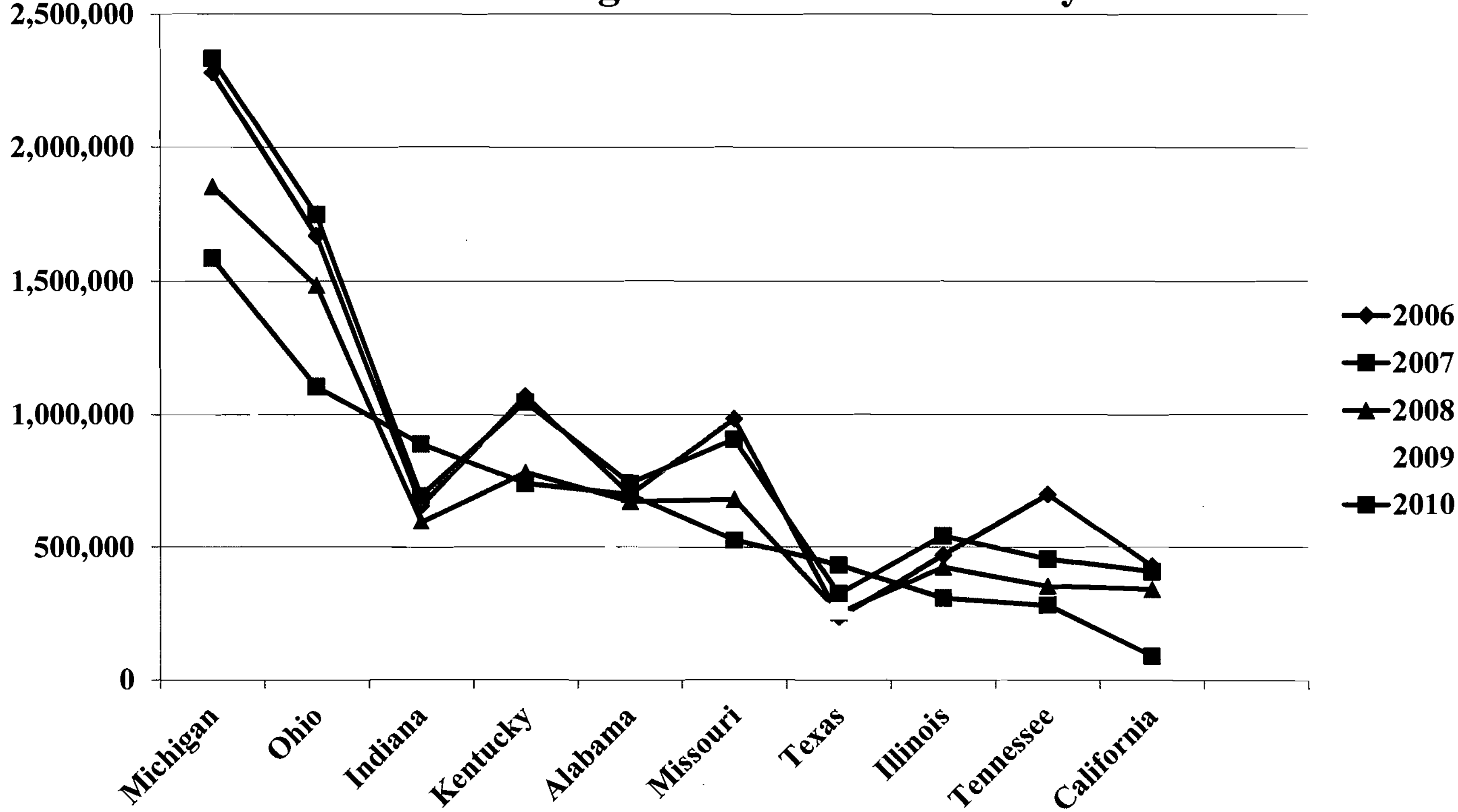
U.S. Car and Light-Truck Production by State



** Automotive News Data Center and company sources*

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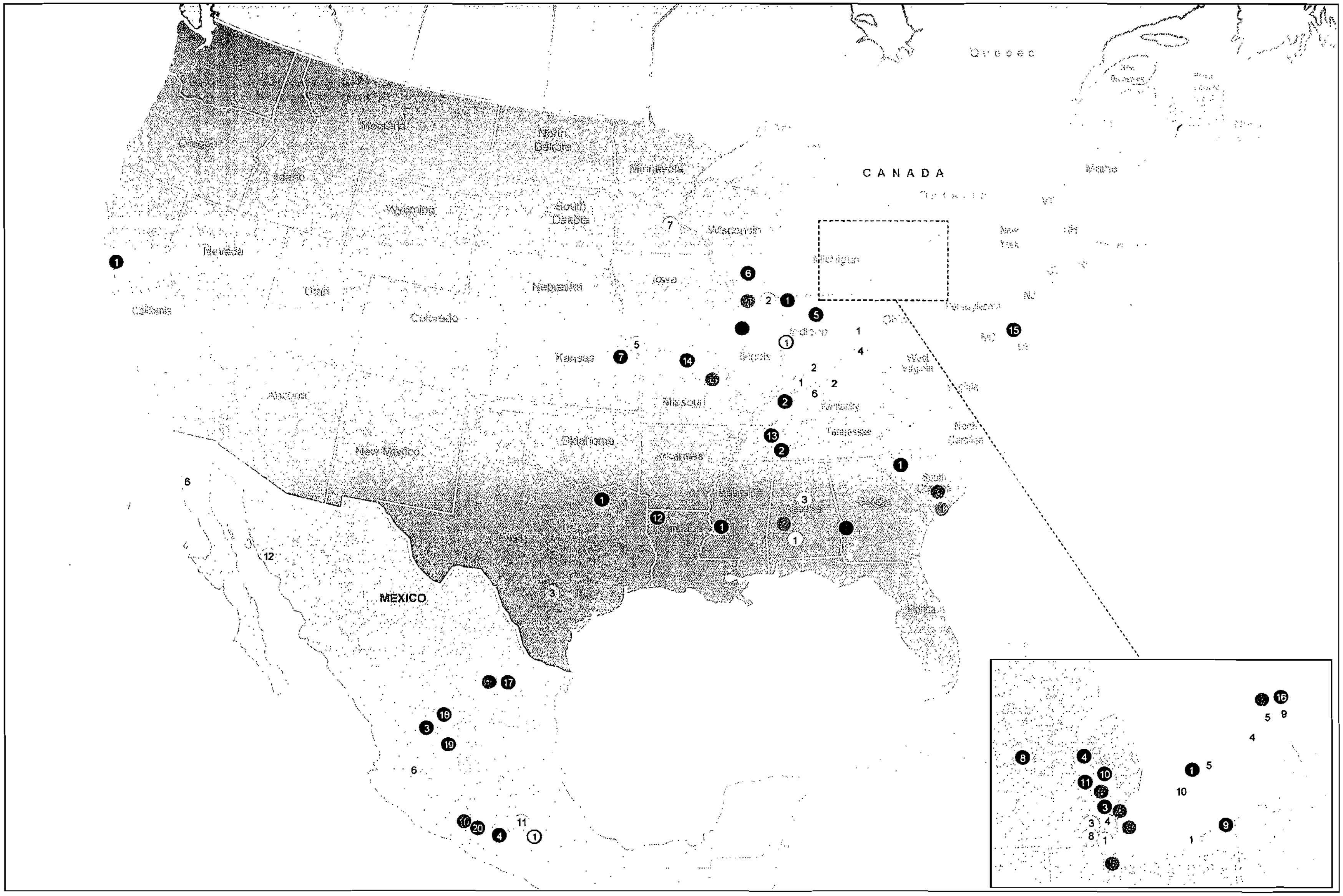
U.S. Car and Light-Truck Production by State Market Share

State	2010 Market Share	2009 Market Share	2008 Market Share	2007 Market Share	2006 Market Share
Michigan	20.8%	20.4%	26.6%	22%	20.9%
Ohio	14.5%	14%	17.4%	16.5%	15.3%
Indiana	11.7%	9.6%	7%	6.5%	6%
Kentucky	9.7%	11.6%	9.2%	9.9%	9.8%
Alabama	9.1%	8.3%	7.9%	7%	6.4%
Missouri	6.9%	8.3%	8%	8.6%	9%
Texas	5.7%	4.6%	3%	3.1%	2.2%
Illinois	4%	3.1%	5%	5.1%	4.3%
Tennessee	3.7%	5.1%	4.2%	4.3%	6.4%
California	1.2%	4.8%	4%	3.9%	3.9%

**Automotive News Data Center and company sources*

2009 North America car and light-truck assembly plants



AutoAlliance

1 **Flat Rock, Mich.**
Ford Mustang, Mazda Mazda6

BMW

1 **Spartanburg, S.C.**
BMW X3, X5, X6

CAMI

1 **Ingersoll, Ontario**
Chevrolet Equinox, GMC Terrain, Pontiac Torrent (ended May 2009), Suzuki XL-7 (ended May 2009)

Chrysler LLC

Belvidere, Ill.
Dodge Caliber; Jeep Compass, Patriot

Detroit
Conner Avenue – Dodge Viper (ended June 2010)
Jefferson North – Jeep Commander, (ended April 2010), Grand Cherokee

Ladson, S.C. (Freightliner Chassis)
Dodge Sprinter (ended Dec. 2009)

St. Louis
St. Louis North (closed Dec. 2009) – Ram pickup

Toledo, Ohio
Toledo North – Dodge Nitro, Jeep Liberty
Toledo Supplier Park – Jeep Wrangler, Wrangler Unlimited 4-door

Warren, Mich.
Sterling Heights – Chrysler Sebring, Dodge Avenger
Warren Truck – Ram Dakota, Ram pickup; Mitsubishi Raider (ended July 2009)

Brampton, Ontario
Chrysler 300/300C; Dodge Challenger, Charger

Windsor, Ontario
Chrysler Town & Country, Dodge Grand Caravan, Volkswagen Routan

Saltillo, Mexico
Ram pickup

Toluca, Mexico
Chrysler PT Cruiser (ended July 2010), Dodge Journey, Fiat 500 (Dec. 2010)

Ford

1 **Avon Lake, Ohio (Ohio Assembly)**
Ford E series

2 **Chicago**
Ford Explorer (Nov. 2010), Taurus, Taurus X (ended March 2009); Lincoln MKS, Mercury Sable (ended May 2009)

3 **Dearborn, Mich.**
Ford F series

4 **Detroit (Chassis Plant)**
Ford F-series chassis

5 **Kansas City, Mo.**
Kansas City SUV – Ford Escape, Mazda Tribute, Mercury Mariner
Kansas City Truck – Ford F series

6 **Louisville, Ky.**
Louisville Assembly (change over mid-Dec. 2010, vehicles end) – Ford Explorer (Dec. 2010), Explorer Sport Trac (ends Oct. 2010); Mercury Mountaineer (ended Sept. 2010)
Kentucky Truck – Ford F-series Super Duty, Expedition; Lincoln Navigator

7 **St. Paul, Minn. (Twin Cities)**
Ford Ranger, Mazda B series

8 **Wayne, Mich.**
Wayne Assembly – Ford Focus (ends Nov. 2010)
Michigan Assembly – Ford Focus (Jan. 2011)

9 **Oakville, Ontario (Oakville Assembly)**
Ford Edge, Flex; Lincoln MKT, MKX

10 **St. Thomas, Ontario**
Ford Crown Victoria, Lincoln Town Car, Mercury Grand Marquis

11 **Cuautitlan, Mexico**
Ford Fiesta

12 **Hermosillo, Mexico**
Ford Fusion, Lincoln MKZ, Mercury Milan

GM

1 **Arlington, Texas**
Cadillac Escalade, Escalade ESV; Chevrolet Suburban, Tahoe; GMC Yukon, Yukon XL

2 **Bowling Green, Ky.**
Cadillac XLR (ended May 2009), Chevrolet Corvette

3 **Detroit-Hamtramck, Mich.**
Buick Lucerne, Cadillac DTS, Chevrolet Volt (Nov. 2010)

4 **Flint, Mich.**
Flint 1 – Chevrolet Silverado, GMC Sierra
Flint 3 – (closed July 2009) – Chevrolet Kodiak, GMC Topkick, Isuzu T series

5 **Fort Wayne, Ind.**
Chevrolet Silverado (No. 3), GMC Sierra

6 **Janesville, Wis.**
Janesville 3 – (closed April 2009) – GMC W4/W5

7 **Kansas City, Kan. (Fairfax Assembly)**
Buick LaCrosse/Allure, Chevrolet Malibu, Saturn Aura

8 **Lansing, Mich.**
Lansing Delta – Buick Enclave, Chevrolet Traverse, GMC Acadia, Saturn Outlook (ended March 2010)
Lansing Grand River – Cadillac CTS, STS

9 **Lordstown, Ohio**
Chevrolet Cobalt (ended June 2010), Chevrolet Cruze

10 **Orion Township, Mich.**
(changeover to Chevrolet Aveo Aug. 2009)
Chevrolet Malibu, Pontiac G6

11 **Pontiac, Mich. (closes Oct. 2009)**
Chevrolet Silverado, GMC Sierra

12 **Shreveport, La.**
Chevrolet Colorado, GMC Canyon, Hummer H3 (ended May 2010)

13 **Spring Hill, Tenn.**
(on stand by production Nov. 2009)
Chevrolet Traverse

14 **Wentzville, Mo.**
Chevrolet Express, GMC Savana

15 **Wilmington, Del. (closed July 2009)**
Opel GT roadster†, Pontiac Solstice, Saturn Sky

16 **Oshawa, Ontario**
Oshawa Consolidated – Chevrolet Impala, Equinox (Oct. 2010)
Oshawa Flex – Buick Regal (1st qtr. 2011), Chevrolet Camaro
Oshawa Truck Assembly – (closed May 2009) Chevrolet Silverado, GMC Sierra

17 **Ramos Arizpe, Mexico**
Ramos Arizpe 1 – Chevrolet Chevy C2†
Ramos Arizpe 2 – Cadillac SRX, Captiva Sport†, Chevrolet HHR, Saturn Vue (ended July 2009)

18 **San Luis Potosi, Mexico**
Chevrolet Aveo†

19 **Silao, Mexico**
Cadillac Escalade EXT; Chevrolet Avalanche, Silverado; GMC Sierra, Yukon XL

20 **Toluca, Mexico**
Chevrolet medium trucks, Silverado

Honda

1 **East Liberty, Ohio**
Honda Accord Crosstour, Civic, CR-V, Element

2 **Greensburg, Ind.**
Honda Civic

3 **Lincoln, Ala.**
Honda Accord (V-6), Odyssey, Pilot, Ridgeline

4 **Marysville, Ohio**
Acura RDX, TL; Honda Accord (V-6 ends mid-2009, I-4 production continues)

5 **Alliston, Ontario**
Acura CSX, MDX, ZDX; Honda Civic

6 **El Salto Jalisco, Mexico**
CR-V

Hyundai

1 **Montgomery, Ala.**
Hyundai Sonata, Santa Fe (ended Aug. 2010)

Kia

1 **West Point, Ga.**
Hyundai Santa Fe (Oct. 2010), Kia Sorento

Mercede-Benz

Ladson, S.C. (Freightliner Chassis)
Mercede-Benz Sprinter

Vance, Ala.
Mercedes-Benz GL, M class, R class

Mitsubishi

Normal, Ill.
Mitsubishi Eclipse, Eclipse convertible, Endeavor, Galant

Nissan

1 **Canton, Miss.**
Infiniti QX56; Nissan Altima sedan, Armada, Quest, Titan

2 **Smyrna, Tenn.**
Nissan Altima coupe and sedan, Frontier, Maxima, Pathfinder, Xterra; Suzuki Equator

3 **Aguascalientes, Mexico**
Nissan Platina† (ended Dec. 2009), March (1st qtr. 2011), Sentra, Tiida†, Versa (March 2011); Renault Clio† (ended Dec. 2009)

4 **Cuernavaca, Mexico**
Nissan pickup†, Sentra, Tiida†, Tsuru†, Versa

NUMMI

1 **Fremont, Calif.**
(closed March 2010)
Pontiac Vibe; Toyota Corolla, Tacoma

Subaru

1 **Lafayette, Ind.**
Subaru Legacy, Tribeca; Toyota Camry

Toyota

1 **Princeton, Ind.**
Toyota Highlander, Sequoia, Sienna

2 **Georgetown, Ky.**
Toyota Avalon, Camry, Camry Hybrid, Camry Solara, Venza

3 **San Antonio**
Toyota Tacoma (July 2010), Tundra

4 **Cambridge, Ontario**
Lexus RX 350; Toyota Corolla, Matrix

5 **Woodstock, Ontario**
Toyota RAV4

6 **Tijuana, Mexico**
Toyota Tacoma

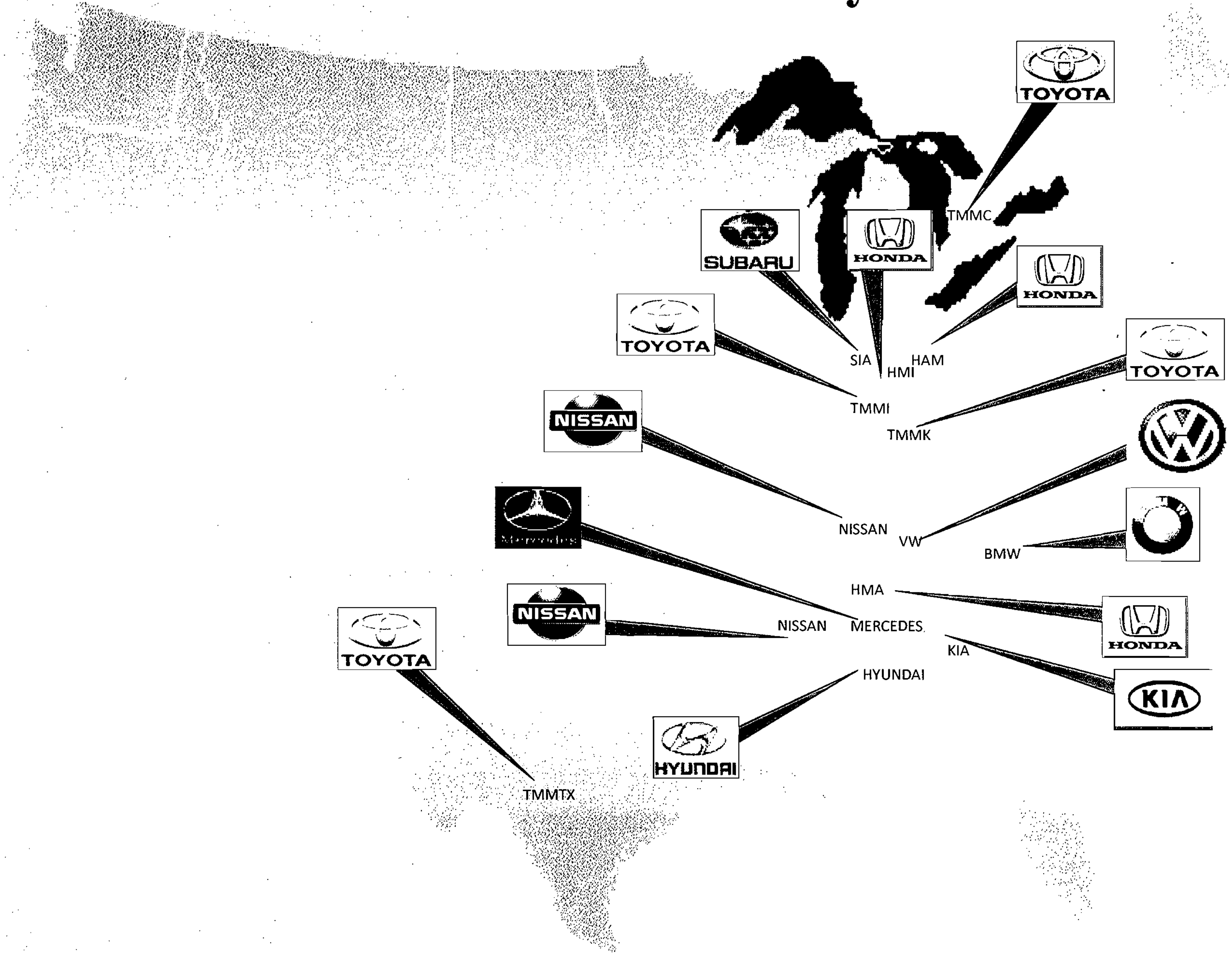
Volkswagen

1 **Puebla, Mexico**
Volkswagen New Beetle (ended Aug. 2010), New Beetle cabrio (ended Aug. 2010) Jetta (4th generation)†, Jetta (6th generation), Jetta/Bora (5th generation), Jetta/Bora/Golf wagon (5th generation)

†Sold outside the U.S.

Source: Automotive News Data Center, Mexican Automotive Manufacturers Association and company sources

International Automotive Assembly Facilities



INDIANA
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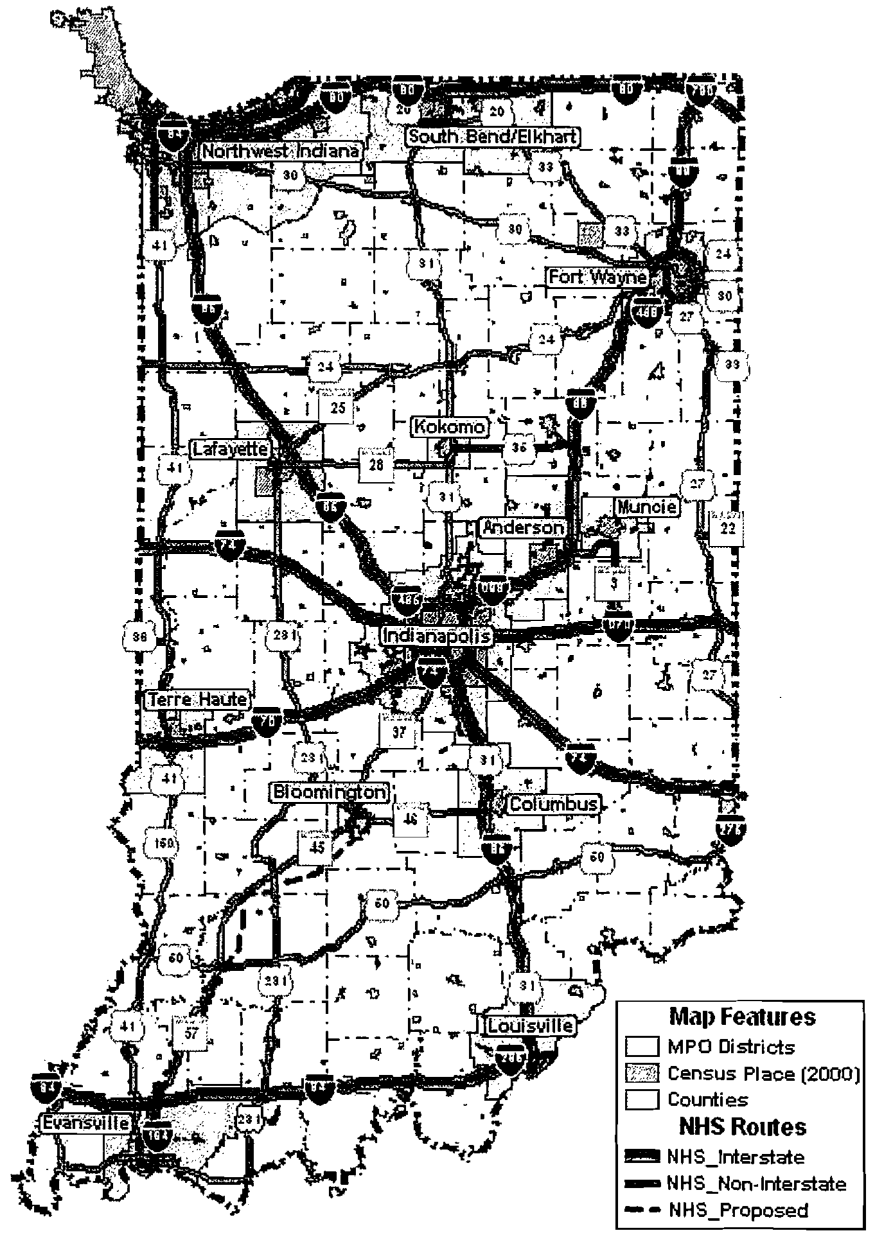
Crossroads of America



INDIANA AUTOMOTIVE COUNCIL

S.W.O.T. ANALYSIS

INDIANA AUTOMOTIVE COUNCIL

STRENGTHS

- Human Capital
  - Work ethic (especially in “older” workers)
  - Manufacturing/Technical Experience + Expertise (especially in “older” workers)
  - Ingenuity + Problem Solving skills
  - Strong Universities + Community College
  - Engagement programs (Dream It Do It + Project Lead the Way)
  - Ivy Tech pre-hiring assessment program
- Innovation
  - Strong university programs in Engineering and Entrepreneurship
  - Market-leading innovative companies doing R&D/Engineering in Indiana
- Policies
  - State fiscal responsibility State incentive programs + R&D Tax Credits
- Supply Chain + Market Factors
  - Strong existing infrastructure
  - Low costs (land and wages)
  - Geographically centered in the U.S.
  - Proximity to Michigan

INDIANA AUTOMOTIVE COUNCIL

WEAKNESSES

- Human Capital
  - Aging workforce (especially skilled workers)
  - Work ethic (especially "younger" workers)
  - "Union mentality" of some workers
  - Lack of qualified skilled labor
  - Lack of tool & die education programs
  - Lack of engineers who remain in Indiana
- Innovation
  - Indiana is not perceived as a focal point for R&D/Innovation or HQ
  - Lack of partnership between industry, government, and universities (Apprenticeships, interns, co-ops, projects)
- Policies
  - Not a Right to Work state
  - Slow curriculum approval process
  - Pro-guns at work laws
  - Anti-immigration and anti-gay legislation/laws
- Supply Chain + Market Factors
  - Need more local suppliers
  - No US-based machine tool industry
  - Bad perception of the automotive industry
  - Lack of passenger direct flights
  - Non-optimal climate/culture

INDIANA AUTOMOTIVE COUNCIL

OPPORTUNITIES

- Human Capital
  - Implement AML curriculum
  - Create certification/credential program
  - Create training programs
  - Auto electrification engineering program
  - "Networking" for young employees
  - STEM education programs
  - Retaining more college graduates
  - Apprentice/intern programs
- Innovation
  - Innovation Centers/Centers of Excellence
  - Focus on Development centers
  - Capitalize on emerging/growing areas - (1) connectivity (software/controls), (2) combustion (fuel efficiency), (3) emissions (catalytic converters), (4) alternative fuels (CNG, bio, fuel cells), (5) electrification/hybrid, (6) advanced materials (stronger, lighter, cheaper), (7) safety, (8) transmissions and other powertrain, (9)batteries
- Policies
  - Enact/oppose legislation
  - Enhance incentive programs
  - Create special "enterprise zone" benefits for suppliers
  - Improve public education opportunities
  - Expedite curriculum approval process
  - Branding – "Automotive State of Tomorrow"
    - Promote policies, innovation, green
    - Indiana as energy independent state
- Supply Chain + Market Factors
  - Bringing more high-value-add suppliers to Indiana
- Further infrastructure improvements

THREATS

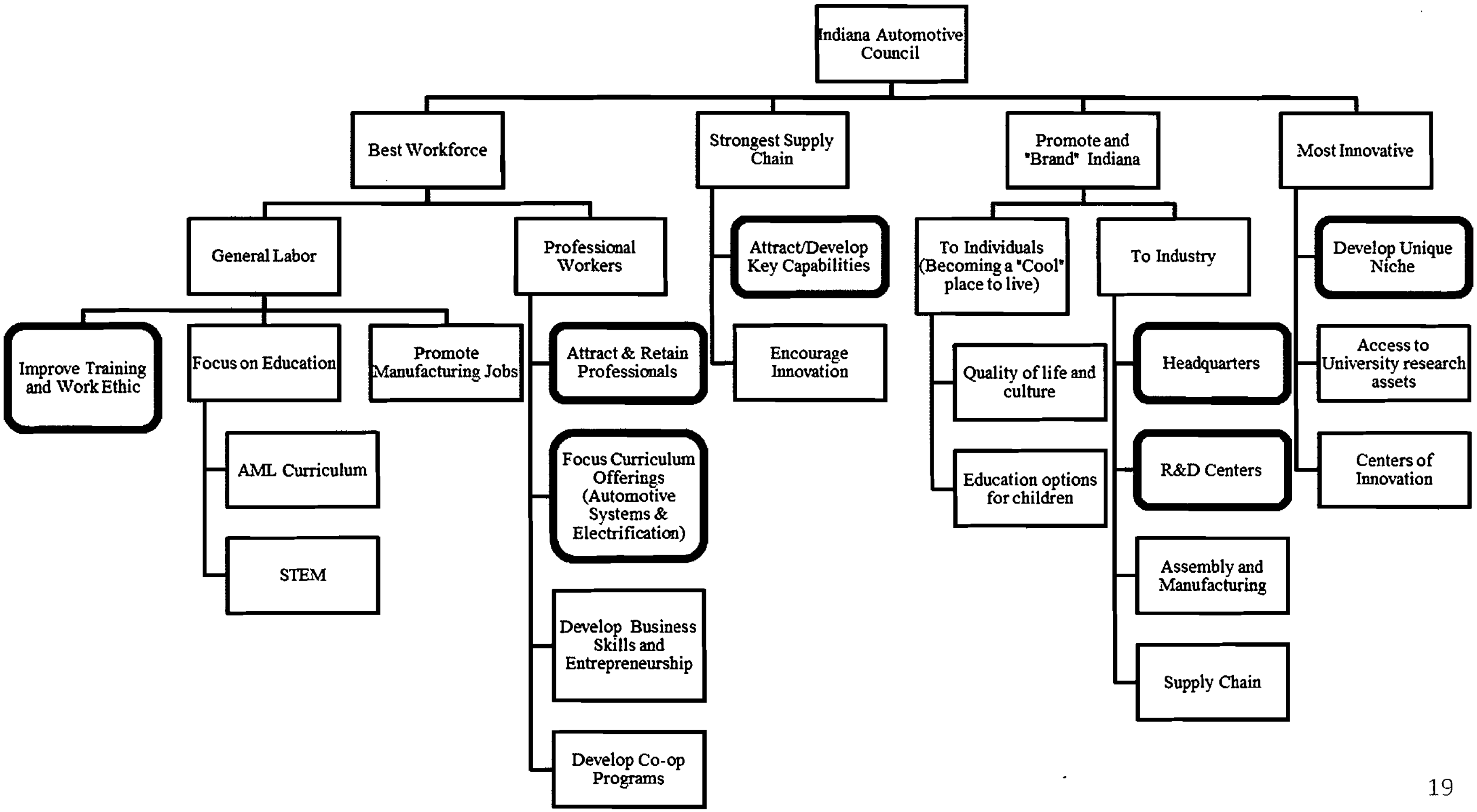
- Innovation
  - Automotive innovation centers in other States/Countries are gaining traction and taking market share
  - Transition to electric vehicles threatens Indiana's strength in traditional powertrain
- Policies
  - States with Right to Work are receiving many of the new assembly facilities built
  - Global companies have a preference for cities/states that are more culturally diverse and accepting
- Supply Chain + Market Factors
  - Cheaper foreign labor prices (China, Korea, India, Mexico, Brazil)
  - Unfavorable perceptions of Indiana

INDIANA AUTOMOTIVE COUNCIL

KEY STRATEGIC INITIATIVES

INDIANA AUTOMOTIVE COUNCIL

Key Strategic Initiatives



I N D I A N A
AUTOMOTIVE
C O U N C I L

CRITICAL ISSUES

- *Promote STEM and Advanced Manufacturing programs in K-12*
- *Implement Advanced Manufacturing/Logistics Curriculum*
- *Improve training for automotive workers*
- *Strengthen relationships between industry and universities*
- *Attract more high-value-add suppliers*
- *Attract more headquarters and research/design/development facilities*
- *Brand Indiana as an automotive leader*
- *Develop unique niches where Indiana can be a global leader*

INDIANA AUTOMOTIVE COUNCIL

SPECIFIC LEGISLATIVE ITEMS

- Amend IC 6-3.1-31.9-23 to extend the expiration of the Hoosier Alternative Fuel Vehicle Manufacturer Tax Credit from December 31, 2011 to December 31, 2016 or remove the expiration date. With five auto assembly plants in Indiana and several auto parts suppliers, Indiana can become the leader in producing alternative fuel vehicles. We need to provide an incentive for companies already producing vehicles in Indiana to move their alternative fuel manufacturing to Indiana.

- Create a new law similar to the Headquarters Relocation Tax Credit (IC 6-3.1-30) that would be designed to entice companies to relocate automotive research, design and development facilities in Indiana. Historically, Indiana does not attract the high-value research/design/development work, but given our strength in the automotive industry, we need to incentivize automotive companies to perform research/design/development work in Indiana.

INDIANA
AUTOMOTIVE
COUNCIL

Contact Information:

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(317) 407-8686
mconrad@conexusindiana.com

Indiana General Assembly Interim Study Committee on Economic Development – October 11, 2011

Indiana's Logistics Industry

CONEXUS
INDIANA

ICED
OCT 11, 2011
EX 2

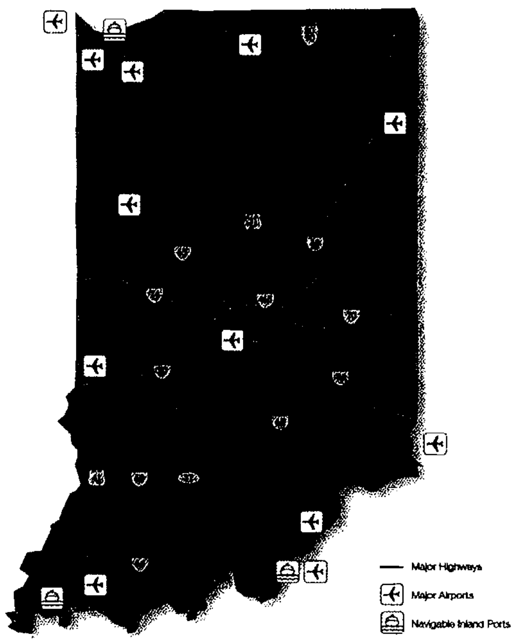
Importance of Logistics

Logistics employs more than 300,000 Hoosiers.

In the last 5 years, logistics jobs increased 20%

On average, pay in the logistics field is 15% higher than other fields in the private sector.

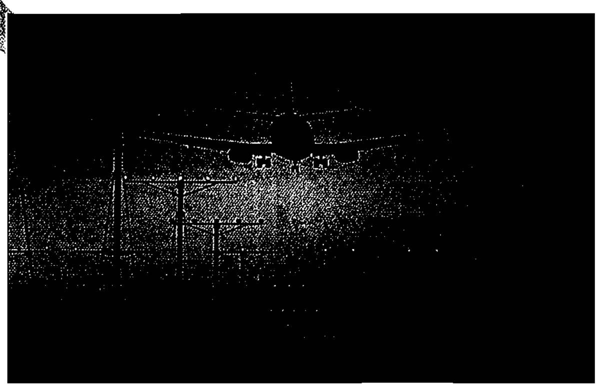
Indiana's Infrastructure

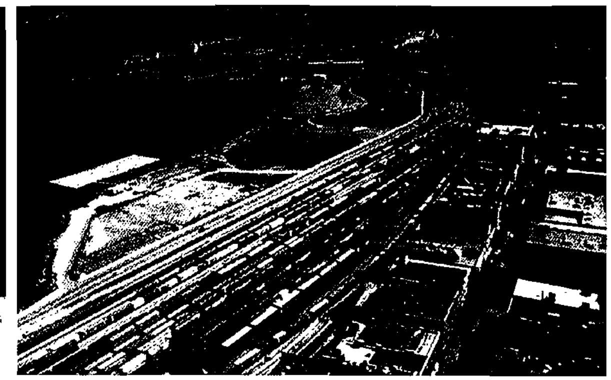


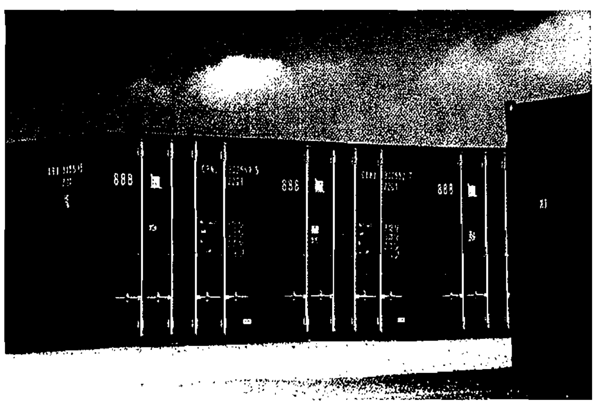
"Crossroads of America"

- ✓ 1st in Interstate Access with **14 Interstate Highways**
- ✓ 1st in pass-through interstates
- ✓ 2nd largest global FedEx hub
- ✓ 12th in interstate highway miles
- ✓ 9th in rail miles w/ **4,448 miles**
- ✓ 4 Intermodal Rail Facilities
- ✓ 4 of the top 125 cargo airports
- ✓ 3 Public Ports
- ✓ **75% of the U.S. and Canadian population** live within a one day's truck drive of IN

The Logistics Council







Council Objectives

The Logistics Council is working to:

- ✓ Enhance the environment for companies in advance manufacturing and logistics.
- ✓ Create a more attractive environment for manufacturing and logistics companies to relocate or expand in Indiana.
- ✓ Create high paying jobs for Hoosiers.

Obstacles Facing Indiana

Indiana's Limitations	Impact of Inaction
• Transportation bottlenecks • Lack of direct rail service • Underutilized air facilities • Lack of efficient mode-to-mode connectivity • Decaying locks infrastructure • Lack of dredging	• Increased costs • Potential environmental impacts • Inefficient freight movement • Loss of productivity for Indiana's businesses • Decreased safety

Infrastructure Goals

1. Reduce bottlenecks.
2. Connect Indiana cities based on impact and potential to Interstate-like access.
3. Create better connectivity of Indiana's water ports via roads and rail modes.
4. Develop a fast and efficient process for unplanned economic development infrastructure needs.
5. Develop and implement the utilization of transportation networks that provide direct rail, truck access and air cargo expansion.

Workforce Development Goals

1. Increase the skill level of Indiana logistics workers through workforce education programs.

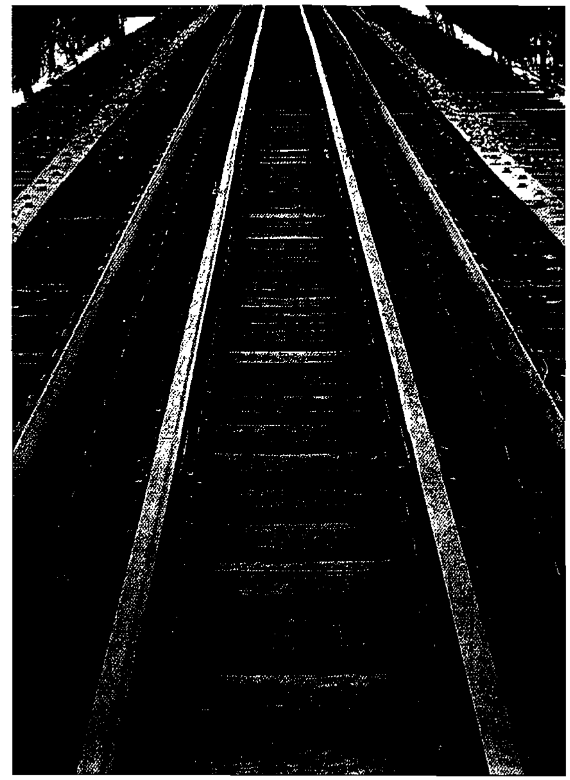
2. Increase the upward mobility and job prospects of current and future Indiana logistics workers.

Key Indiana Logistics "Go-Gets"

1. Intermodal facilities in Indiana that bypass Chicago bottleneck
2. Increase in air cargo flights to and from Indiana airports
3. Construction and redesign of key locks
4. Completion of key infrastructure projects in bottleneck regions
5. Logistics tax credit to attract and retain logistics companies
6. Industry-driven logistics high school and postsecondary curriculum

Possible Public Policy Solutions

- ✓ **S**upport Federal Funding of Locks
- ✓ **H**asten the Transportation and Logistics Income Tax Credit
- ✓ **I**nfluence Addition of Private Sector Identified Non-INDOT Projects to Long-Term Priority List
- ✓ **P**romote AML Curricula at High Schools and Post Secondary Institutions

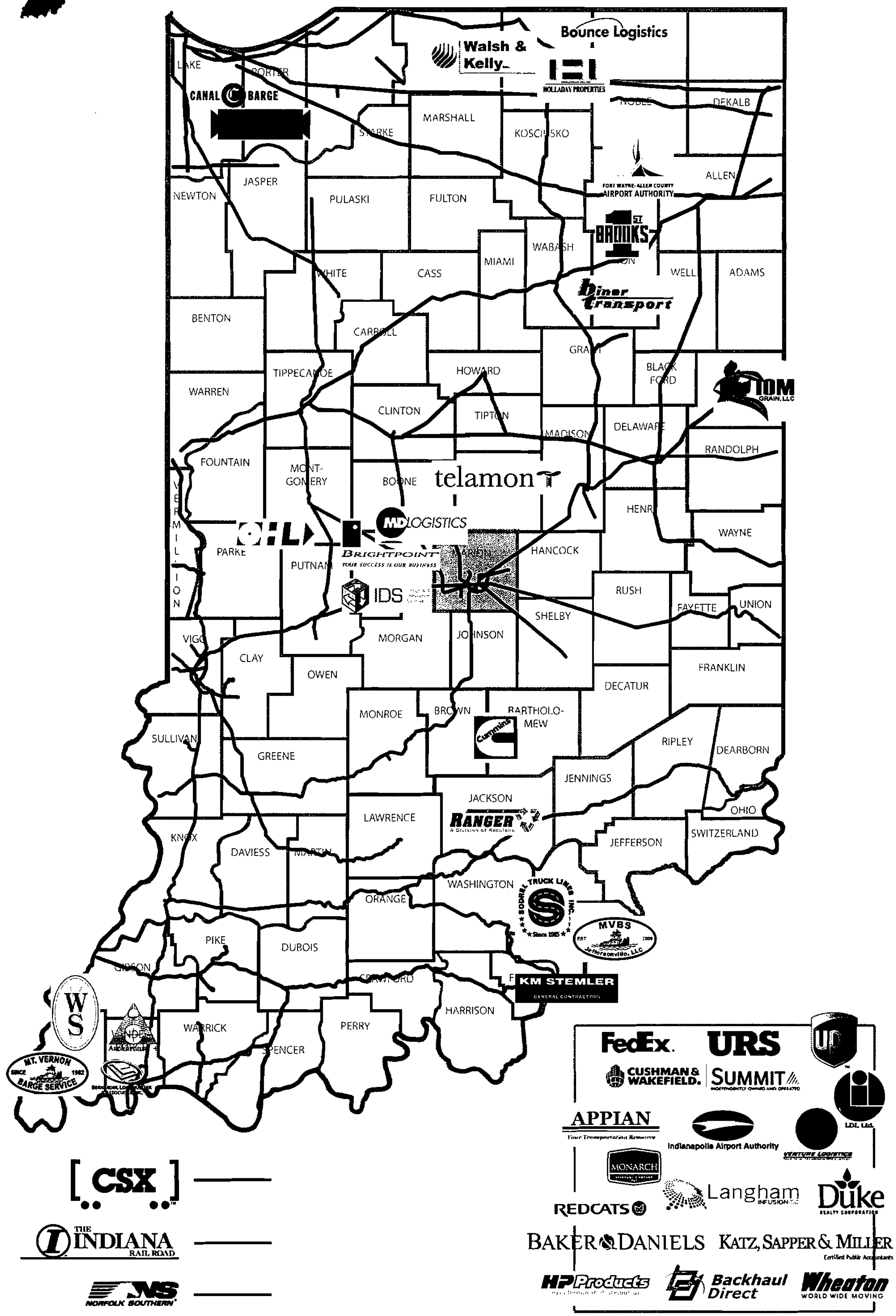


Questions and Comments

CONEXUS INDIANA

For more information, please contact David Holt, Vice President of Operations and Business Development, at (317) 638-2108, dholt@conexusindiana.com, or visit **ConexusIndiana.com**

LOGISTICSCOUNCIL



INDIANA

ECONOMIC GARDENING

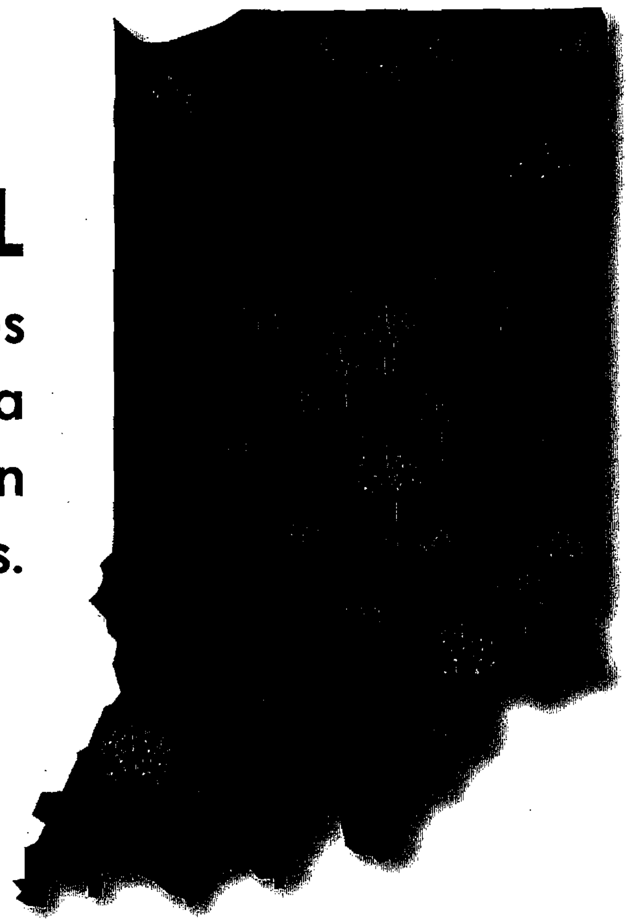
IN INDIANA

ICED
OCT 11, 2011
EX 3

THE STATE OF YOUR FUTURE

INDIANA

ECONOMIC GARDENING



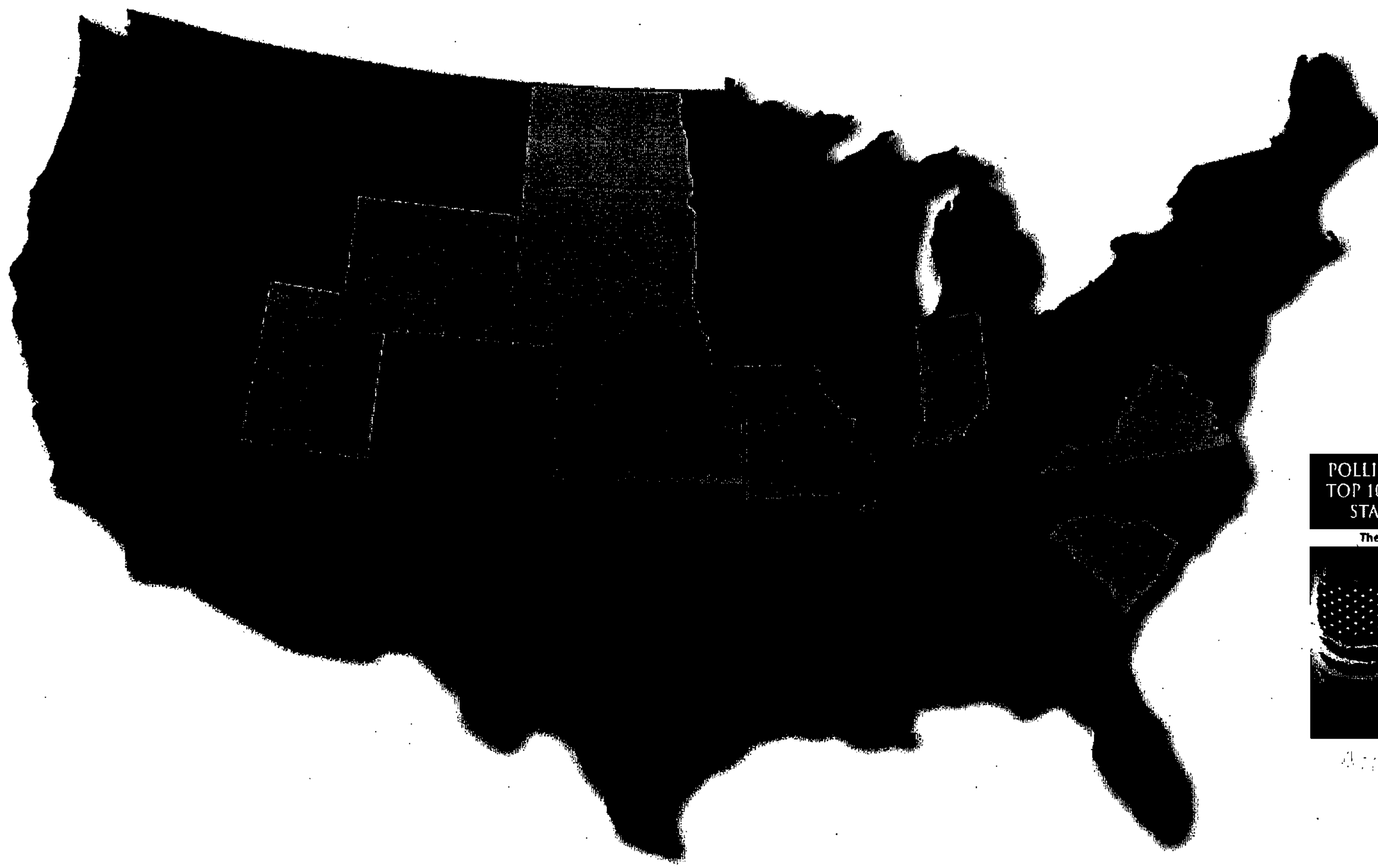
THE GOAL

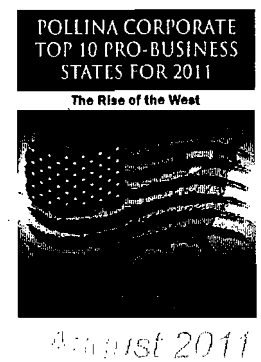
A variety of companies dispersed across Indiana at various stages in growth and fruitfulness.

INDIANA

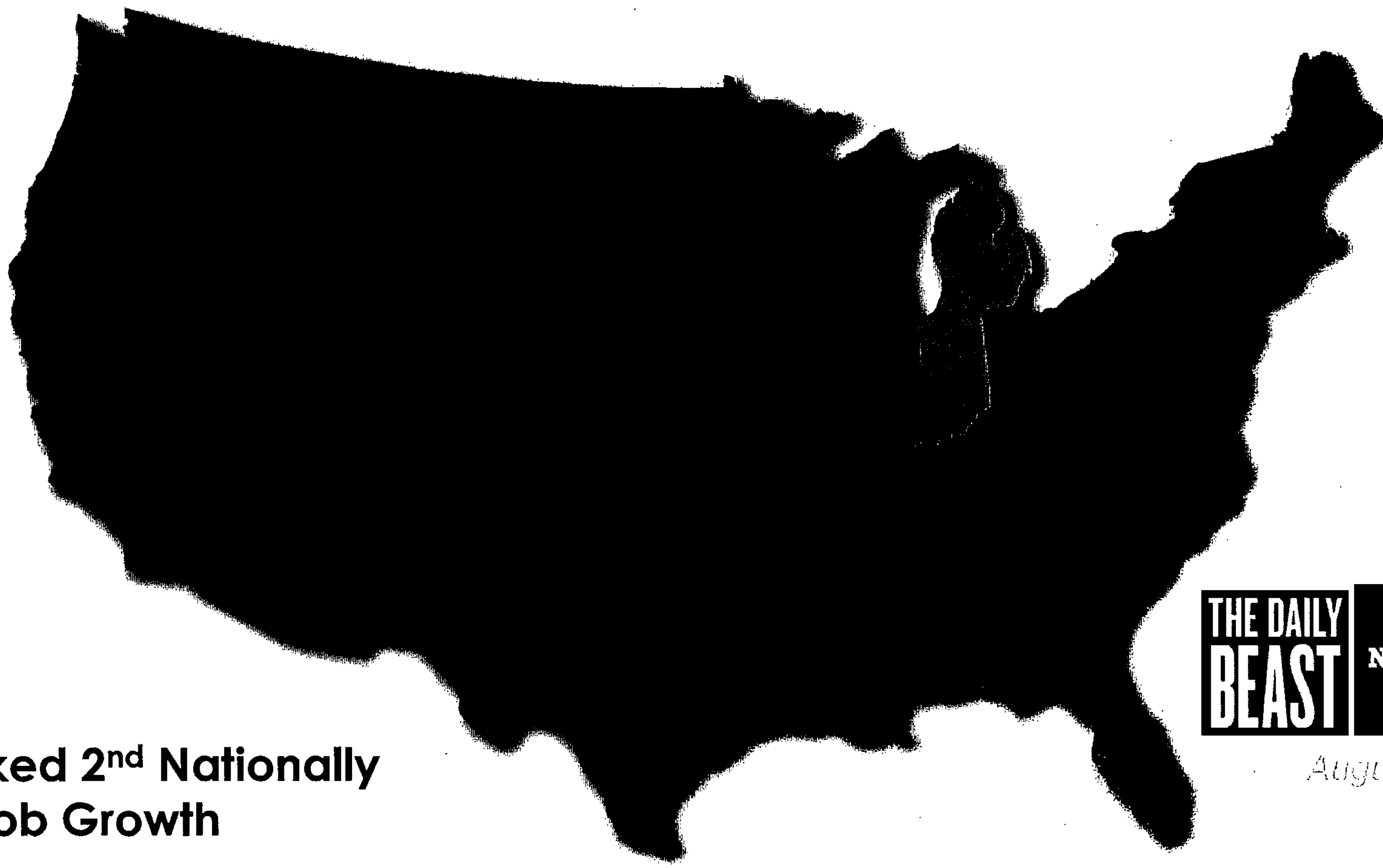
TOP 3 STRONGEST GDP GROWTH-2010

TOP 10 PRO-BUSINESS STATES





RANKED TOP 2-*BEST STATES FOR JOB GROWTH*



THE DAILY BEAST Newsweek
August 2011

Ranked 2nd Nationally for Job Growth

TOP STATE FOR BUSINESS

AREADEVELOPMENT ONLINE

September, 2011

- **1st Best State for Rail & Highway Accessibility**
- **2nd Best State Leading in the Economic Recovery**
- Based on site selection consultants' rankings of states

WINNER OF 2011 GOLD SHOVEL AWARD FOR ECONOMIC DEVELOPMENT-*STATE'S FIRST*

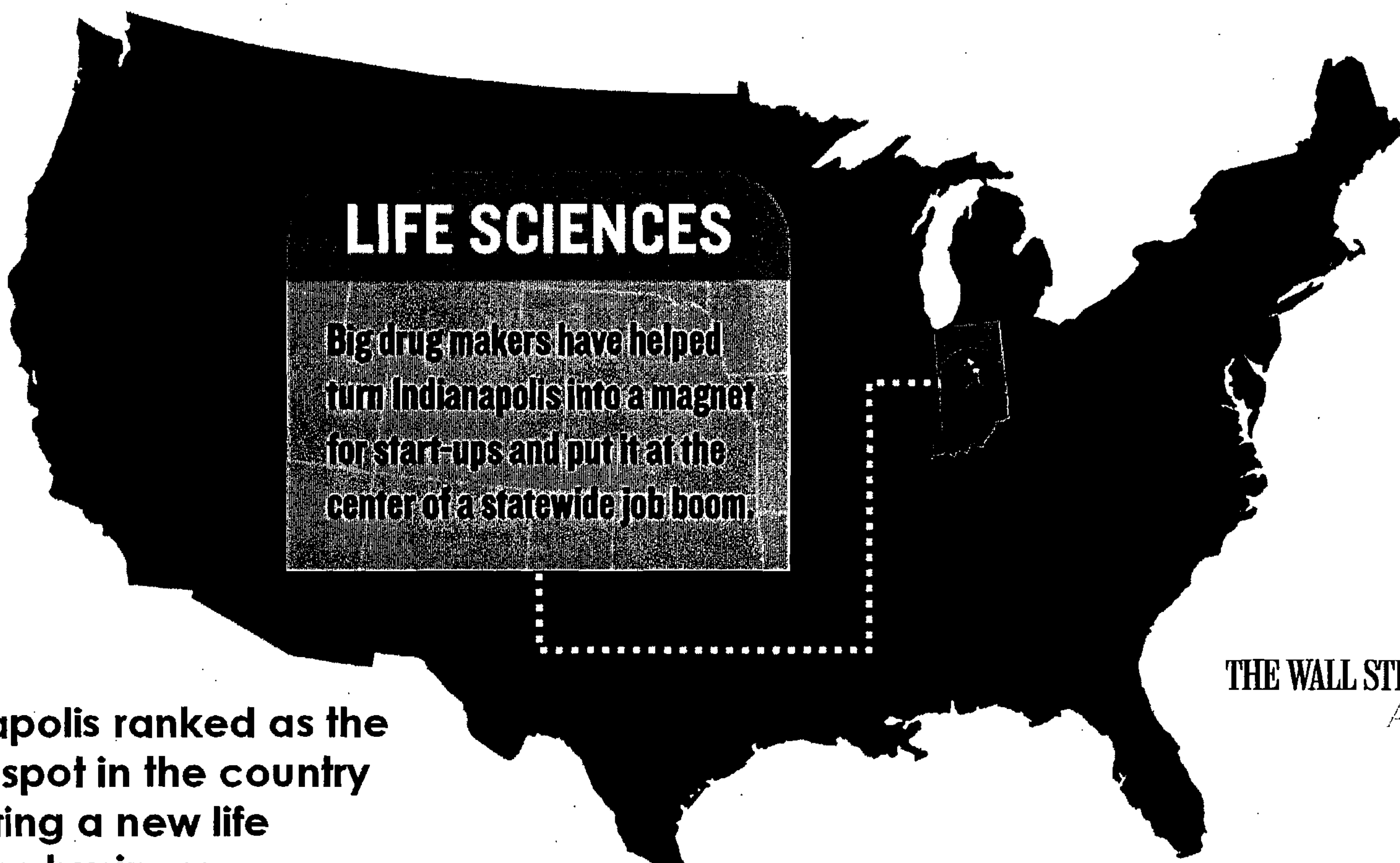
2011 Gold Shovel Winner
(top state in population category)
for innovative policies, infrastructure, processes and promotions that attract new employers and investments

AREA DEVELOPMENT ONLINE
May, 2011

INDIANA

ONE OF THE NATION'S LOWEST TAX & REGULATION STATES

WHERE THE ACTION *IS-LIFE SCIENCES BUSINESS BOOM IN INDIANAPOLIS*



THE WALL STREET JOURNAL.
August 2011

Indianapolis ranked as the hottest spot in the country for starting a new life sciences business.

And on average, what do people think about the attractiveness of Indiana…

THE DECISION MAKERS

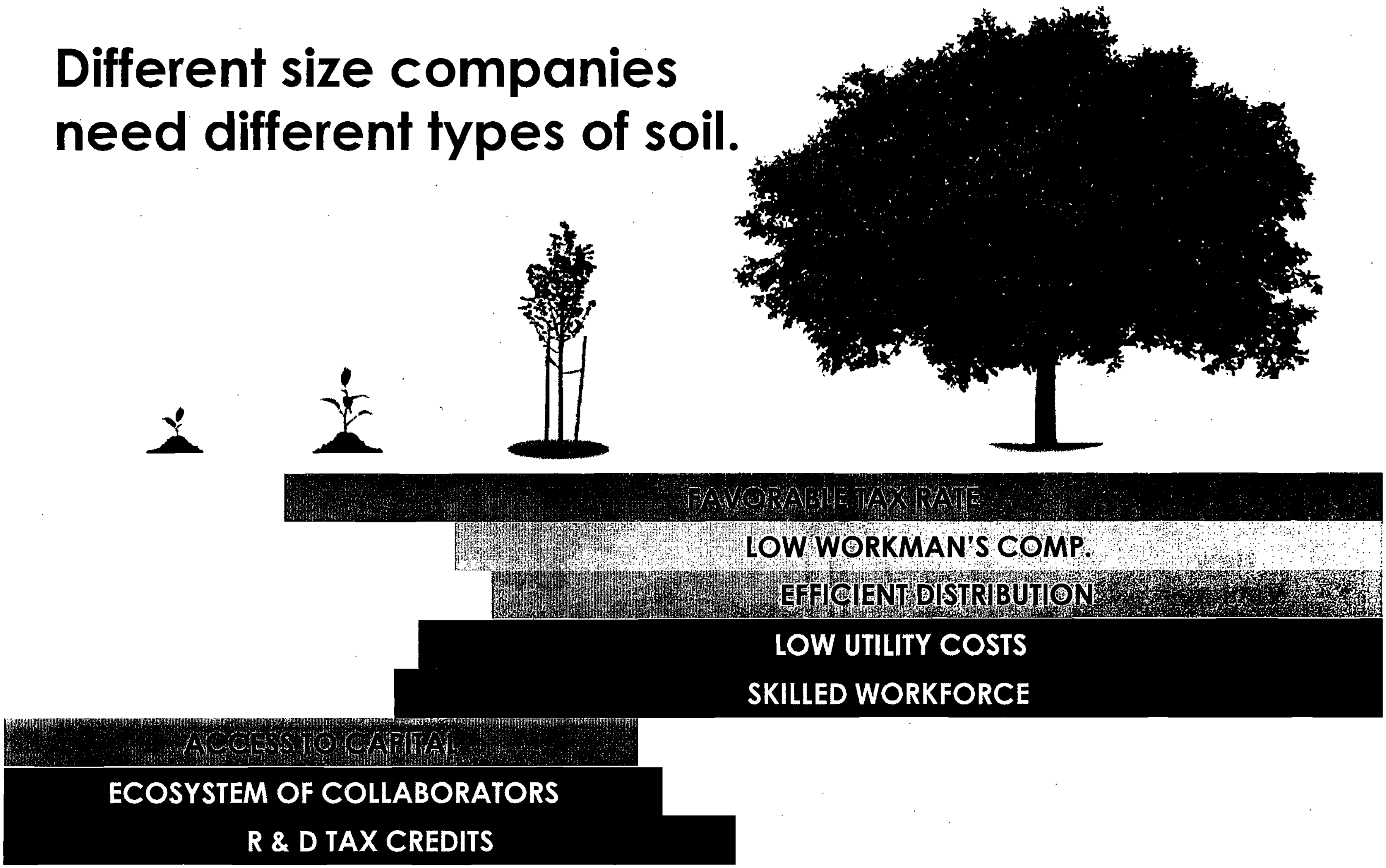
CEO Magazine's BEST States For Business	
2011 Rank	**STATE**
1	Texas
2	North Carolina
3	Florida
4	Tennessee
5	Georgia
6	INDIANA

THE ADVISORS

Area Development's TOP STATES For Doing Business	
2011 Rank	**STATE**
1	Texas
2	Georgia
3	Alabama
4	South Carolina
5	INDIANA

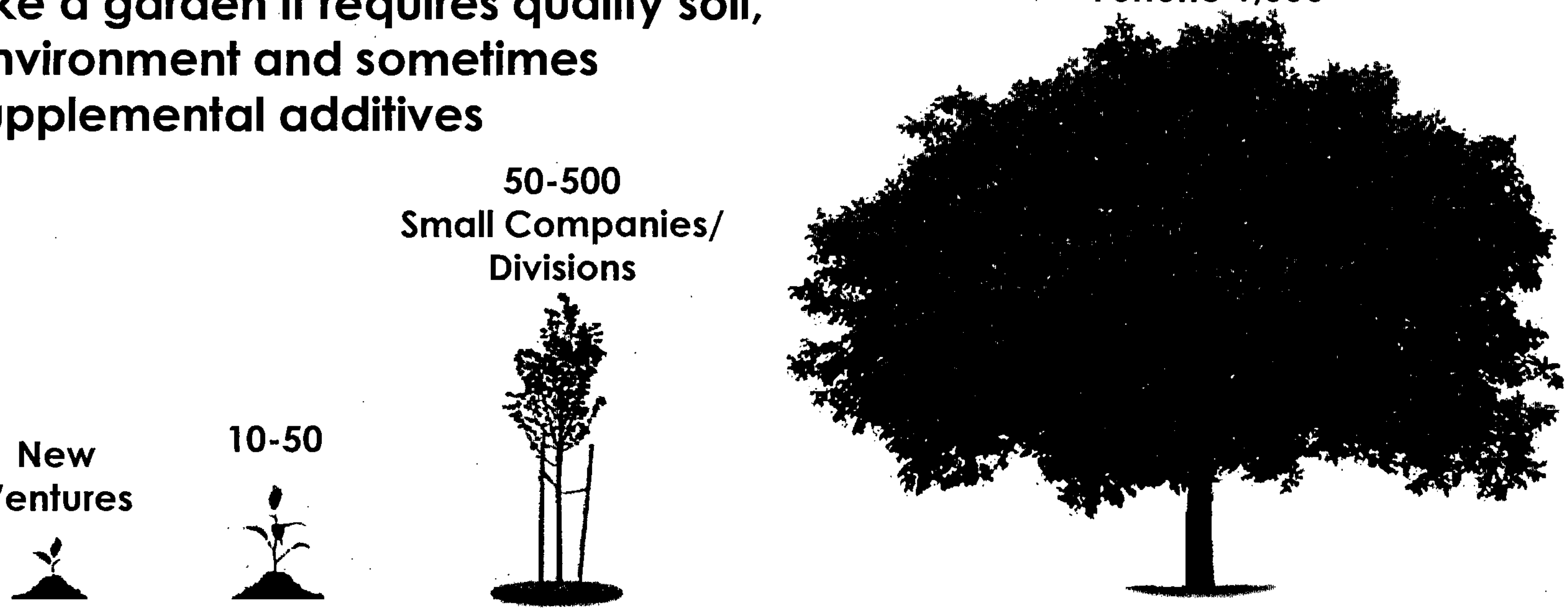
KEY
RTW States
Non-RTW States

Different size companies need different types of soil.



IEDCs support matches to the needs of the enterprise…

Like a garden it requires quality soil, environment and sometimes supplemental additives



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IEDCs support matches to the needs of the enterprise…

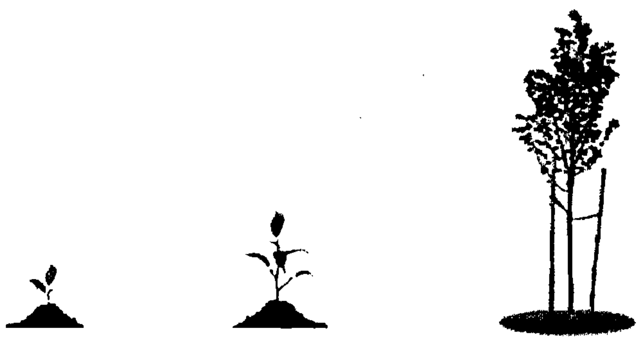
Like a garden it requires quality soil, environment and sometimes supplemental additives

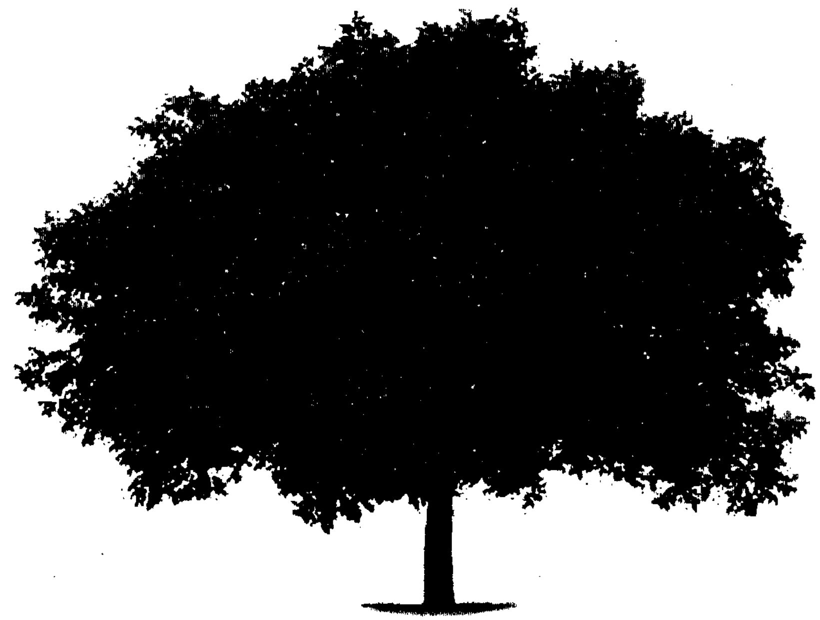
[redacted]

21Fund has focused on earlier stage companies… a longer path to jobs, but chances at big payoffs.

… because Indiana hasn't historically had good start up soil

Indiana has not had a culture of high risk/high return investment like Boston,L.A. and San Francisco.

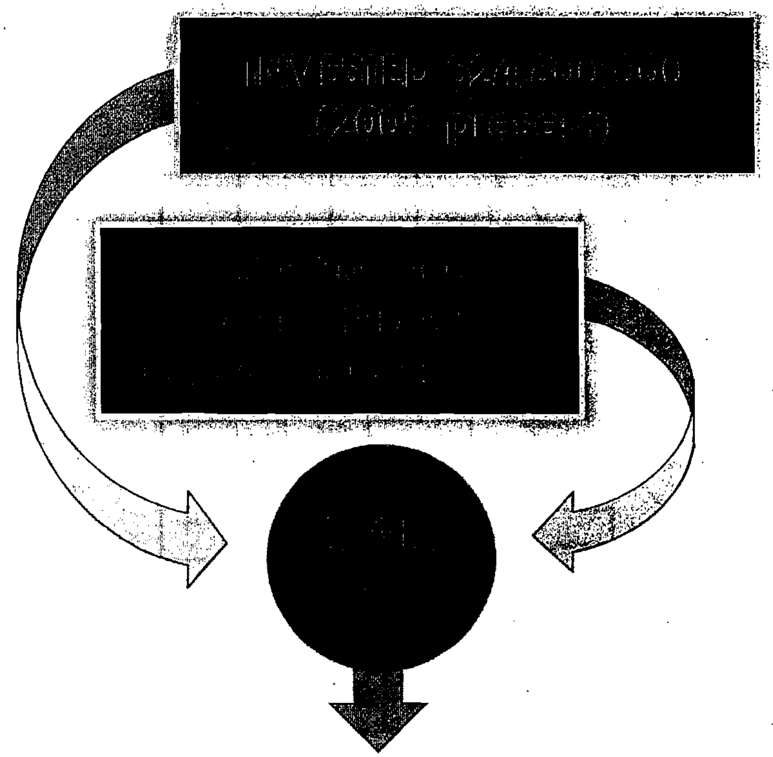




ACCESS TO CAPITAL → Providers of capital like the

21Fund history last 2 years…

Out of the 26 direct awards, 23 are operating, able to raise additional capital, and are seeing revenue growth. Among the 23 operating, 12 have been able to raised significant follow-on capital and are seeing healthy growth.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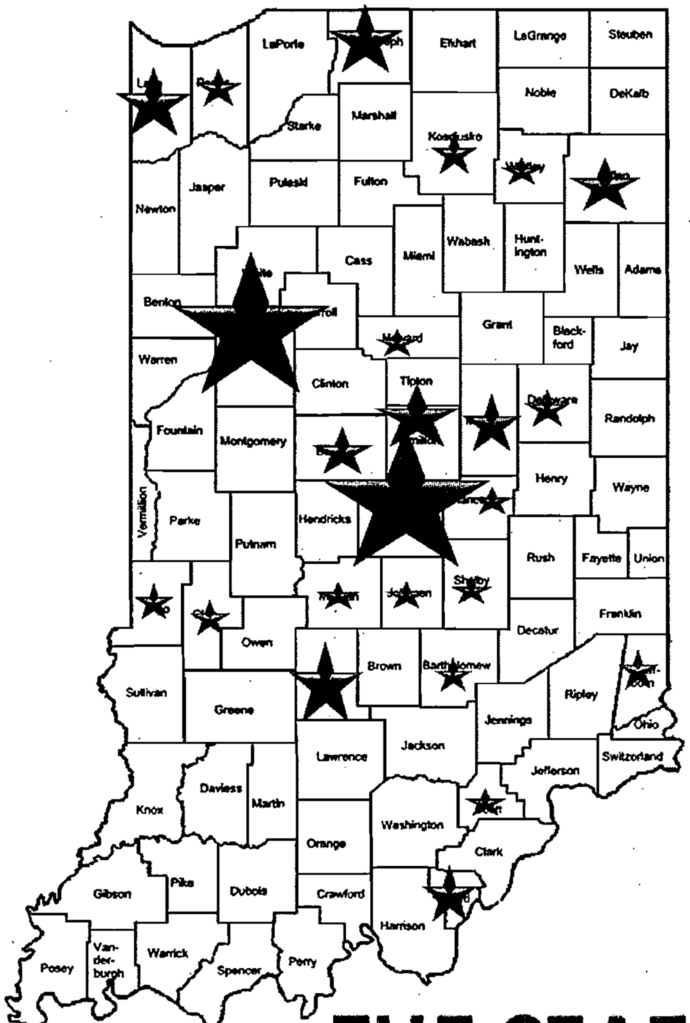
SCALE COMPUTING
OrthoPediatrics
MARCADIA BIOTECH
ChaCha
IMMUNE WORKS
ENDOCYTE

INDIANA

21Fund DIRECT AWARDS



Since 1999, there have been 197 21Fund awards in 24 counties.

- ►Overall conversion rate is approx. 14% (or a 86% rejection rate)
- ►42 counties submitted at least one application
- ►Of the 42 counties that applied, 18 did NOT receive an award
- ►4 counties (St. Joseph, Tippecanoe, Monroe and Marion) account for over 70% of the 21 Fund awards

INDIANA

High risk means occasional failure

BROGAN PHARMACEUTICALS

Brogan Pharmaceuticals

- ►Awarded from the 21 Fund in 2006 to install and qualify a clean room at Purdue Technology Center, Crown Point, IN, with the intention of developing and commercializing specific radiopharmaceutical technology.
- ►In 2010, the company **no longer operates.**

POWDER COIL

PowderCoil™ The Future of Pre-Painted Coil Technology

- ►Received 21 Fund support to commercialize a new industrial technology known as PowderCoil.
- ►The company was not able to timely secure a SBA loan or a strategic financing arrangement following the 2008 Financial Crisis, and **no longer operates.**

BIO VITESSE

- ►Early stage biotechnology company that develops, manufactures and markets automated in-process quality control monitoring systems and solutions for rapid bacterial detection and identification for the industrial microbiological markets
- ►The company was negatively impacted by the 2008 Financial Crisis. PRF terminated the license agreement in 2009. The company was **subsequently liquidated.**

AND lucrative successes...

MARCADIA BIOTECH

- ►$2 million award by the 21 Fund in 2006
- ►Received $16 million in follow-on funding
- ►Secured development arrangements with Eli Lilly, Merck and Roche
- ►Acquired by Roche in late 2010 for **$537 million**
- ►Repaid 21 Fund $2.6 million per return provision in the Grant Agreement

ENDOCYTE

- ►Received nearly $4 million from 21 Fund before 2005
- ►Raised over **$90 million** in follow-on private funding
- ►Raised **$75 million** in an initial public offering in early 2011
- ►Raised **$66.8 million** in recent secondary public offering
- ►Due to the early grant structure, the State failed to capture any financial return.

SCALE COMPUTING

- ►$2 million awarded by the 21 Fund in 2009
- ►Raised **$17 million** in late 2010, resulting in total of **$31 million** raised to date

ULTIMATE SUCCESS

is when through 21Fund we have established a self-sustaining private high risk venture capital community that can't wait for the next investment opportunity...enter Elevate Ventures

êlevate
ventures

ELEVATE VENTURES

- Elevate is a <u>tax exempt, non profit statewide venture</u>
- Immediately allowed Indiana to receive $34.3 million in federal funds

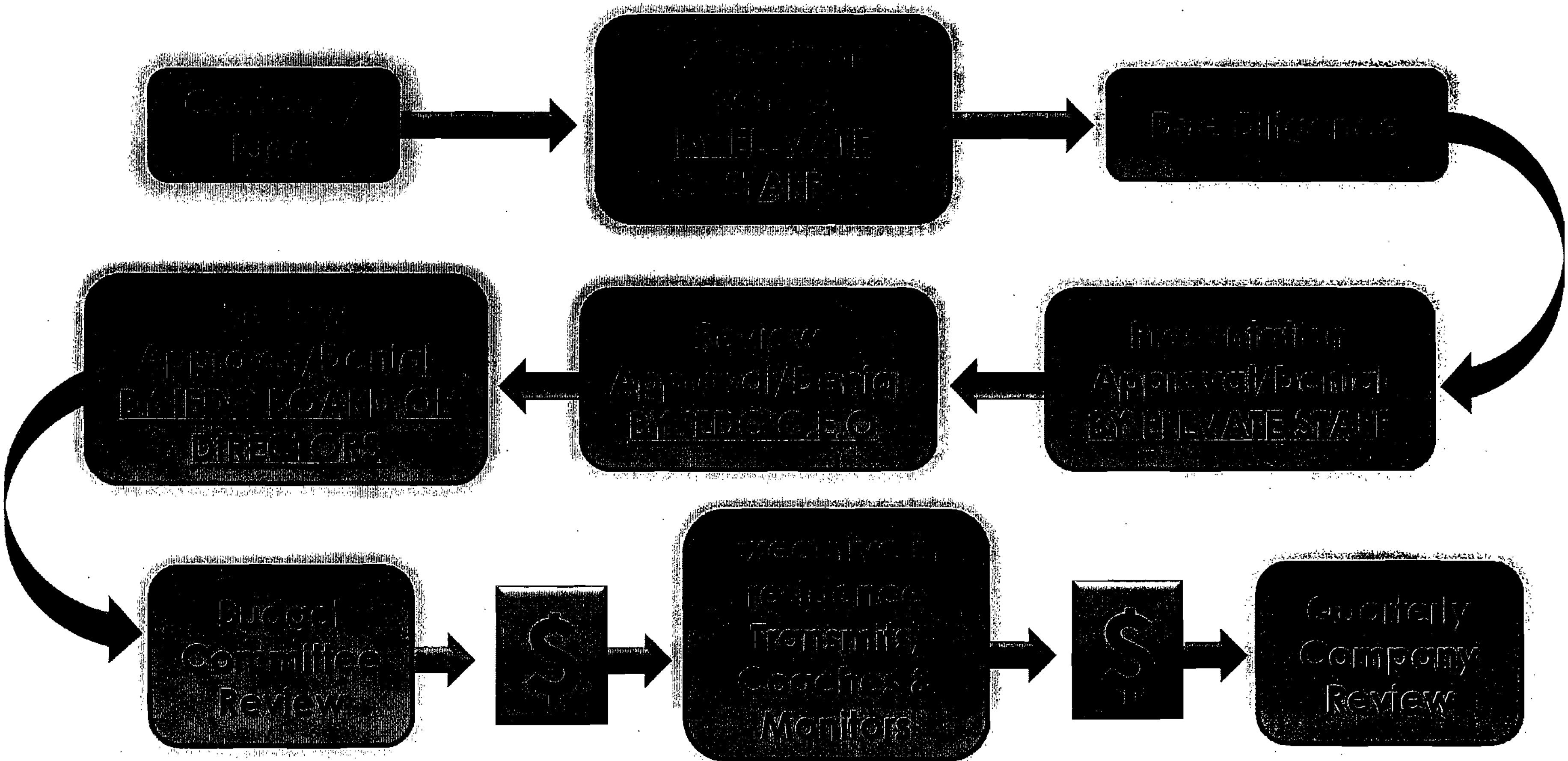
But more importantly…

- Can structure the investment to achieve max. return
- Can more easily partner with private investor funds

… and the state can still be rewarded for its early investments

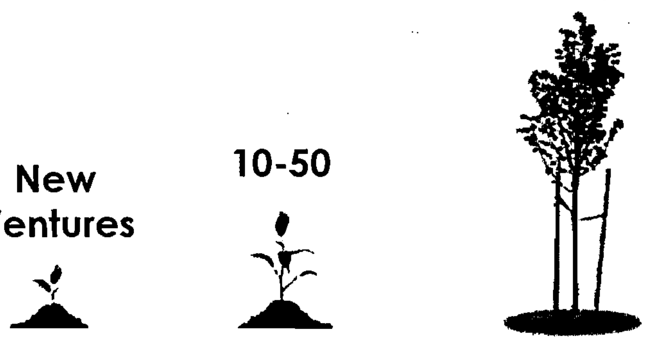
INDIANA

Exceptional due diligence and approval of investments is ALWAYS essential



Small Businesses receive support through ISBDC

Like a garden it requires quality soil, environment and sometimes supplemental additives



[redacted]

IEDC also supports small companies through the federally funded Indiana Small Business Development Center (ISBDC)

- The ISBDC has statewide coverage with 9 regions with 48 full time employees
- Across Indiana, ISBDC staff provide one-on-one confidential business consulting to help small businesses develop and implement strategic plans using the most advanced market research and financial analysis tools on the market.
- In 2010, helped clients:
  - Create an estimated 1,777 jobs
  - Start 217 businesses
  - Obtain $43 million in financing
  - Increase sales by $131 million

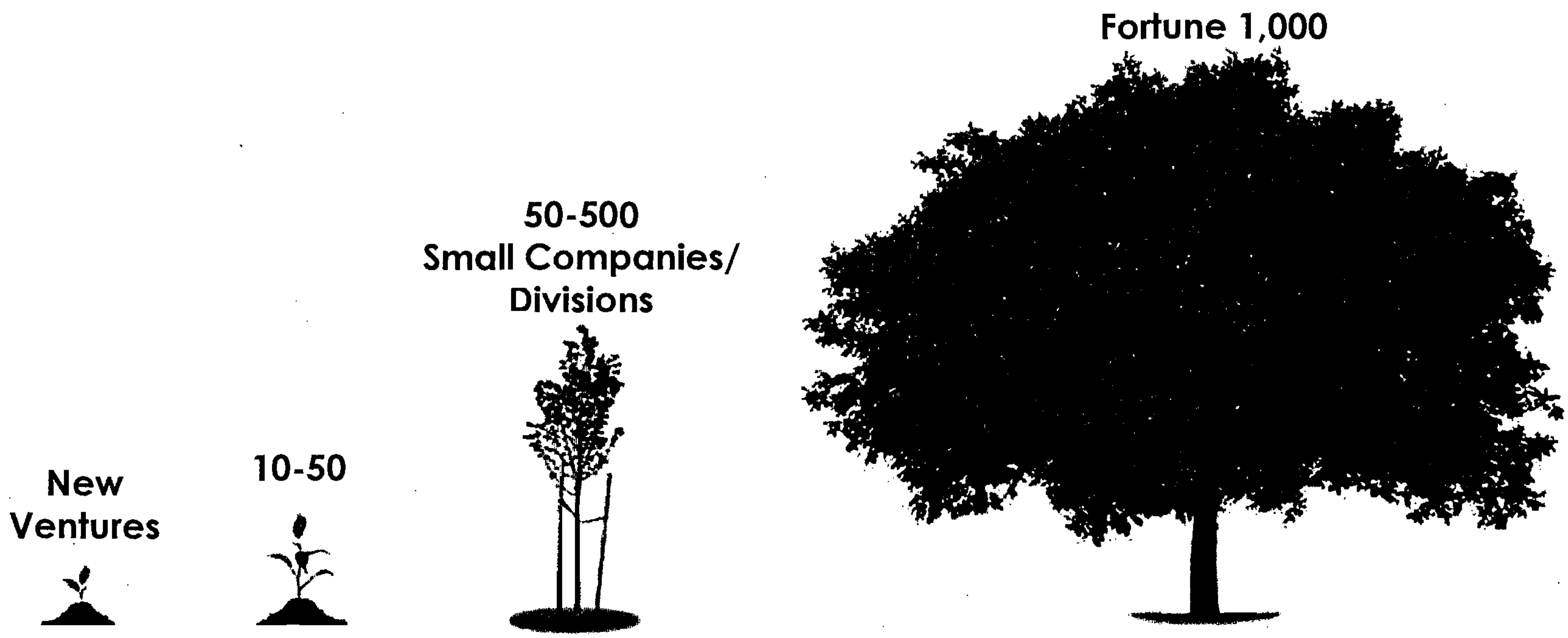
The Indiana Small Business Development Center by the numbers…

Period	2007	2008	2009	2010	07-10 change
New Businesses Created	167	201	213	252	50.90%
Jobs Created	909	1,014	1,789	2,598	185.97%
Jobs Retained	760	948	2,002	760	0.00%
Change in Sales	$41,744,435	$202,682,812	$173,116,462	$50,266,981	20.42%
Equity Capital, Dollar Amount	$16,082,829	$6,467,519	$16,251,953	$30,526,464	89.81%
Total Capital Infusion (Equity Loans	$37,158,548	$40,861,546	$43,139,252	$61,940,886	66.69%

Data collected from clients during consulting sessions as well as in 30 day, 90 day, and end of year surveys.

INDIANA

We are always (along with REDO/LEDO's) looking for trees to transplant and grow.



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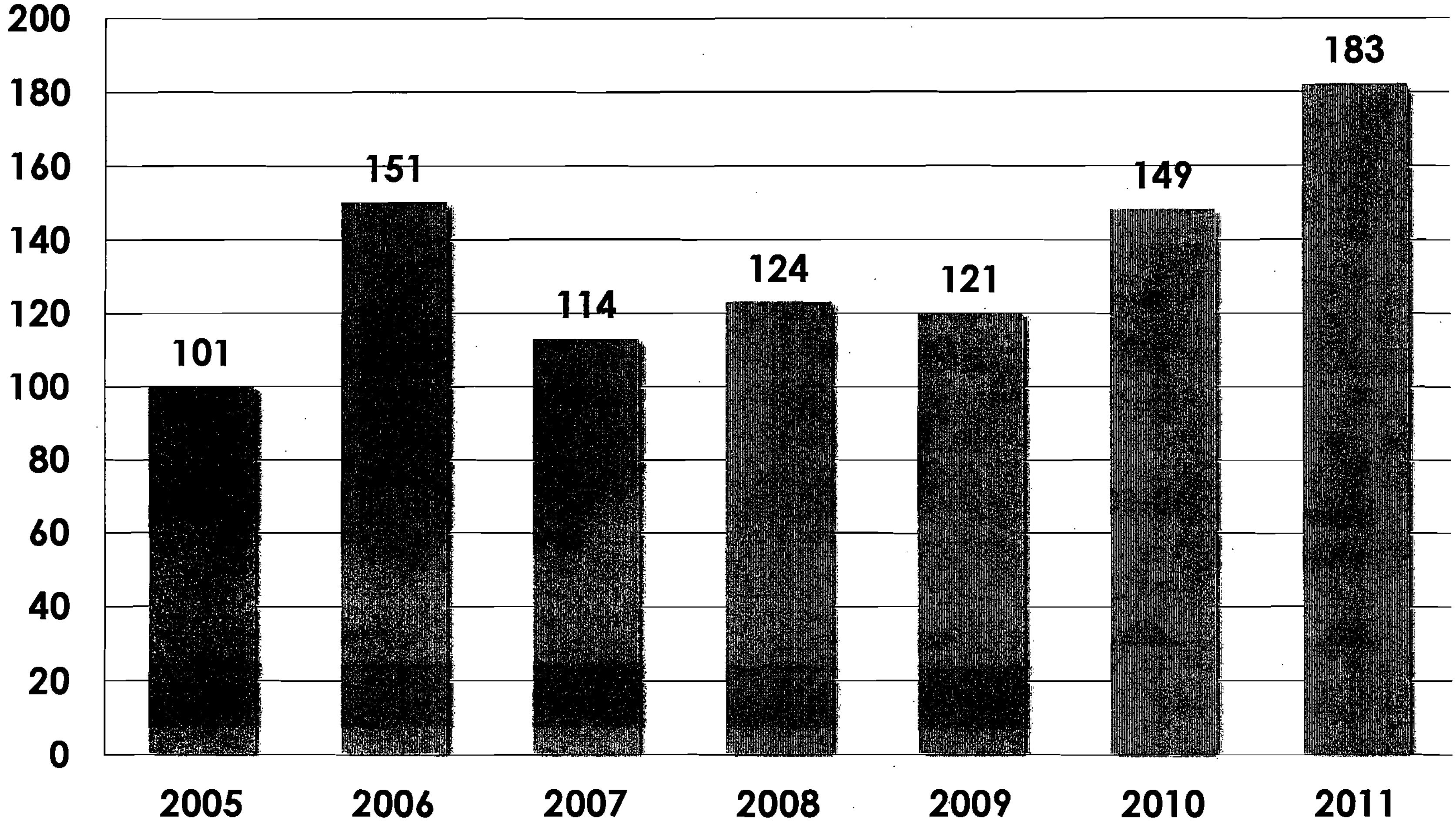
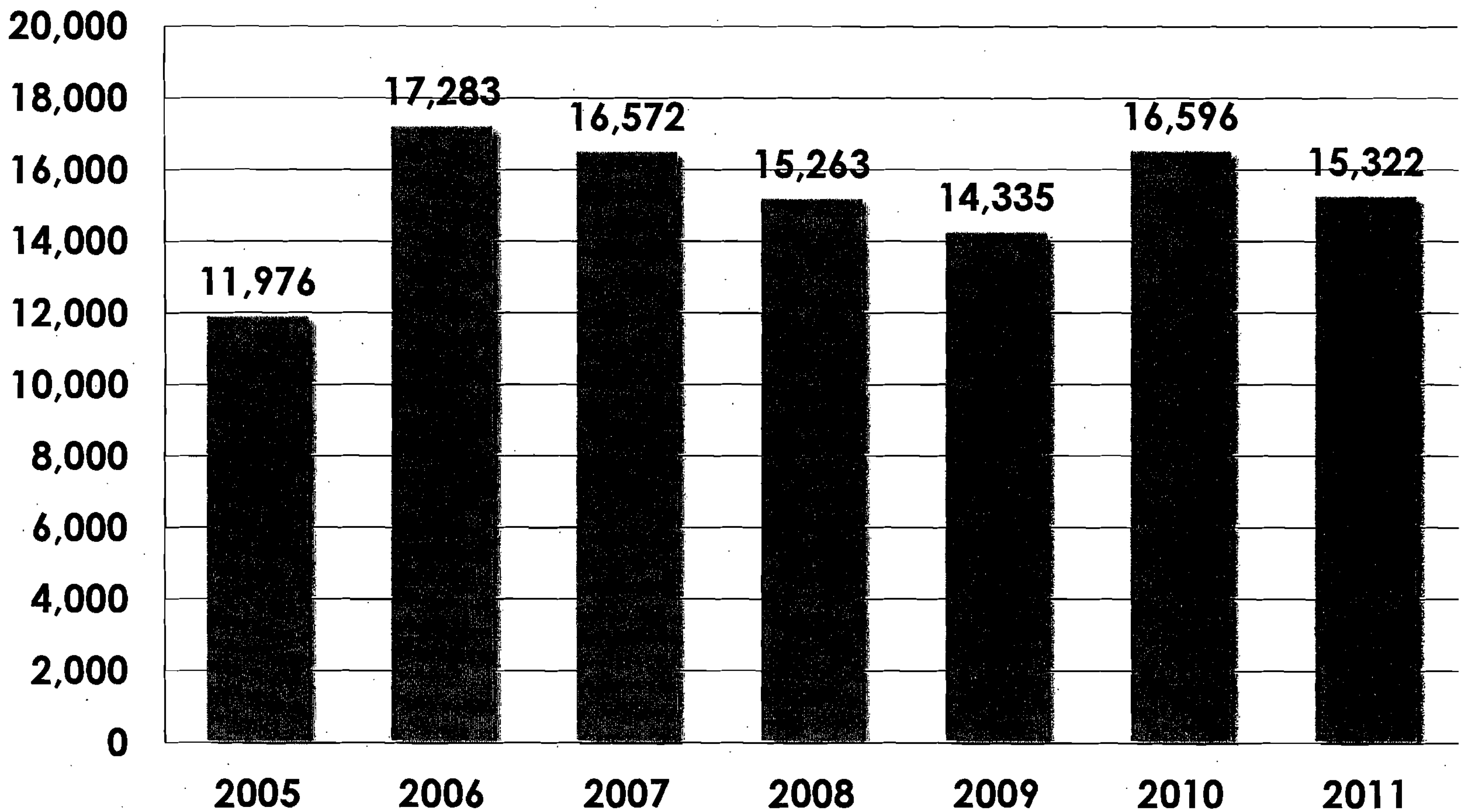
TOTAL COMPETITIVE PROJECTS YEAR-TO-DATE



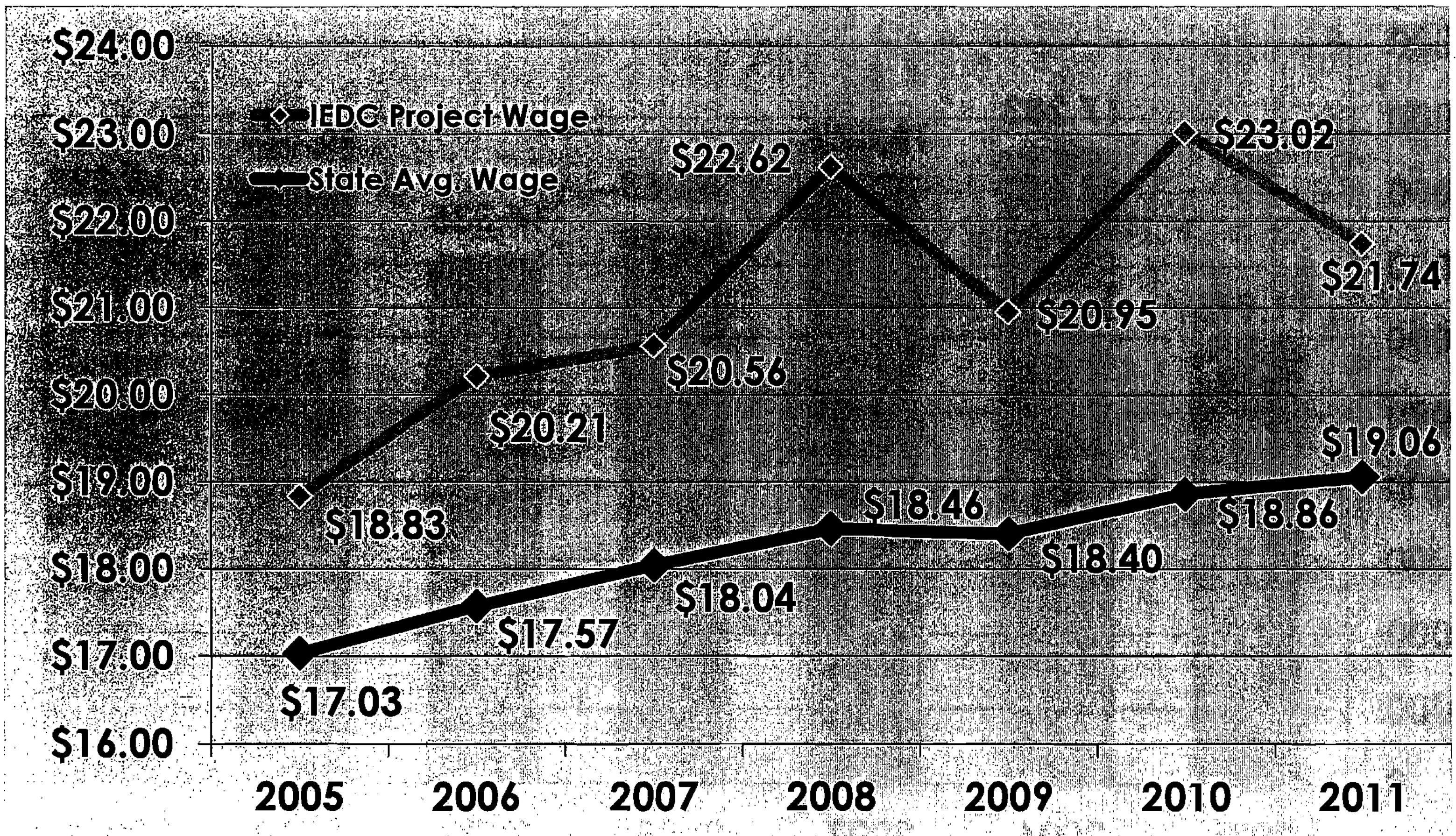
- *As of 10/3/2011*

INDIANA

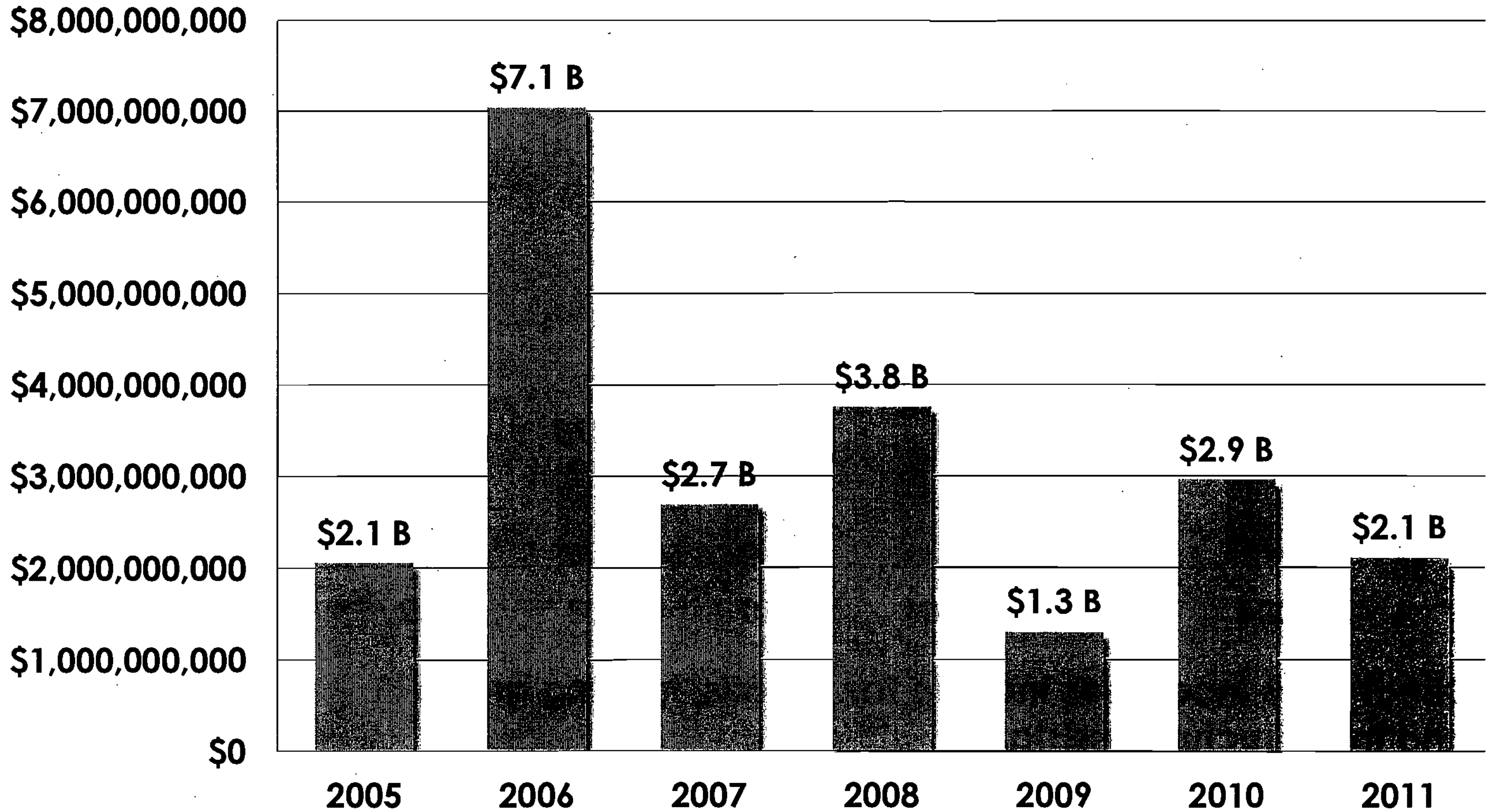
PRIVATE SECTOR JOB PROJECTIONS YEAR-TO-DATE



HOOSIER AVERAGE WAGE



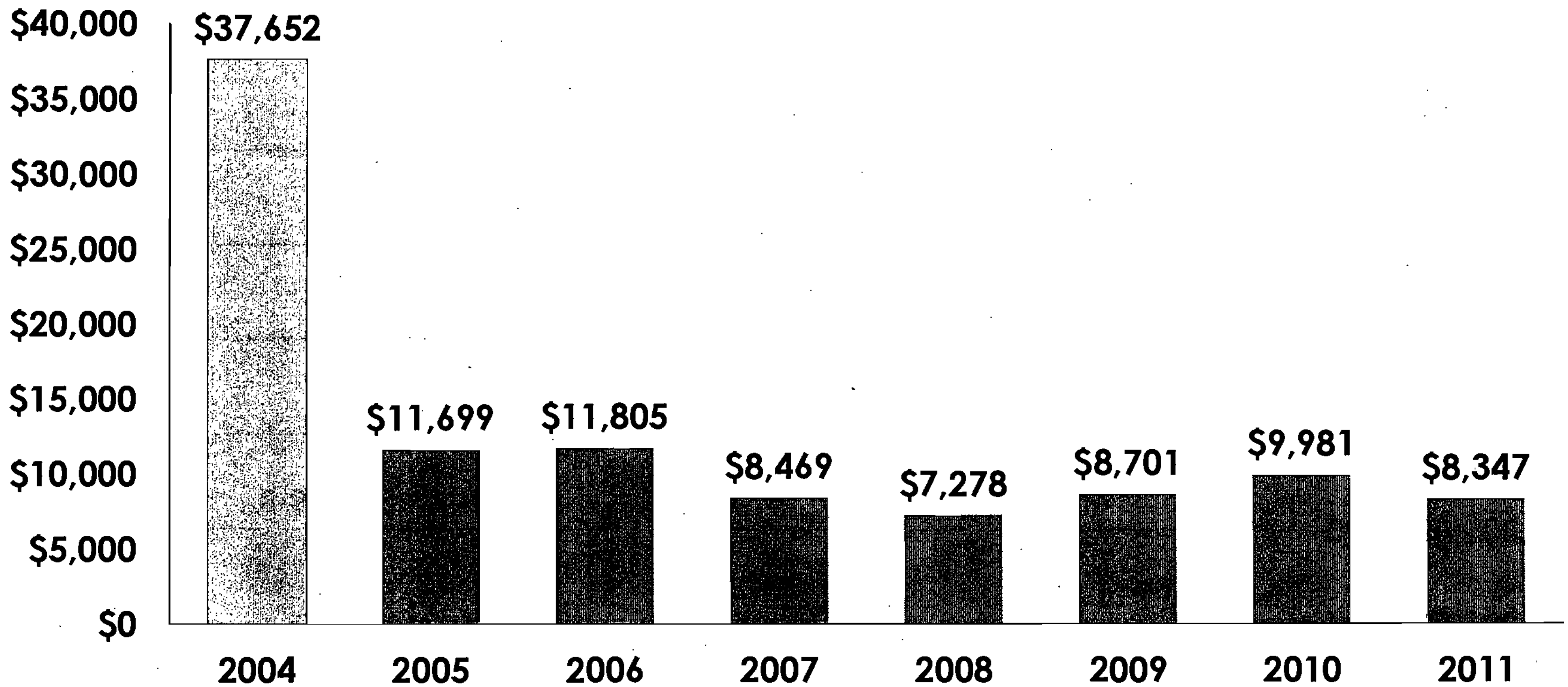
PRIVATE SECTOR INVESTMENT PROJECTIONS YEAR-TO-DATE



- *As of 10/3/2011*

INDIANA

LOW COST OF INCENTIVES YIELDS QUICKER RETURN



Direct state incentives include tax credits, training grants and infrastructure assistance

Tax credits are performance-based linked to IEDC certification of new jobs

Average time of return on investment: approximately 2 years

In an ideal world, our soil/environment would be so superior that we wouldn't need additives to attract and start…

IEDC focuses more on established companies with TOOLS SUCH AS:

- **EDGE tax credits** Credit based on actual tax w/h
- **HBI tax credits** Credit based on actual capital investment
- **Employer training support**
- **Use of disaster bonds**
- **Tech park designations combined with local incentives**

[redacted]

All Indiana's state incentives/additives only pay AFTER the company has provided the promised incremented jobs at the promised rate.

INDIANA

On average, what matters most to companies when making a move?

In addition to operating cost, skilled workforce, efficient transportation, reliable utilities, suitable site...

❖ Availability of Financial Incentives	**9.4**
❖ State Environmental Rules and Regulations	**8.6**
❖ State Right-to-Work Status	**7.9**
❖ State Corporate Income Tax	**6.8**
❖ State Tort Climate	**6.2**
❖ State Workers Compensation	**5.9**
❖ State Sales Tax Levels	**4.3**
❖ State Fiscal Health & Budget Practices	**2.4**
❖ State Personal Income Tax Levels	**2.2**
❖ Accessibility to State Government Agencies	**1.3**

Source-The Boyd Co., Inc., Location Consultants, Princeton, NJ

REGIONAL ECONOMIC DEVELOPMENT ORGANIZATIONS

1. Economic Dev. Coalition of Southwest Indiana
2. Energize-ECI (East Central Indiana)
3. I-74 Business Corridor
4. Indy Partnership
5. Michiana Regional Economic Dev.Corporation
6. MidWest Indiana Economic Dev.
7. North Central Indiana Economic Dev.Partnership
8. Northeast Indiana Regional Partnership
9. Northwest Indiana Forum
10. Northwest Indiana Regional Dev. Authority
11. One Southern Indiana
12. Radius Indiana
13. South Central Indiana Economic Dev. Group
14. Southeast Indiana Growth Alliance
15. Southwest Indiana Dev. Council
16. Accelerate West Central Indiana

One of the most often heard reasons INDIANA comes out on TOP is "collaboration amongst state and local groups to solve problems."

REGIONAL ECONOMIC DEVELOPMENT OUTREACH

- South Central Marketing Group
- I-74/South Eastern Indiana Growth Alliance
- Accelerate West Central Indiana Economic Development Regional Marketing Group

IEDC OUTREACH

- Joint sales trips (Dallas, Chicago, New York)
- Joint events (Colts games, Big Ten Tourney, Carb Day)

SITE AND BUILDING DATABASE

- Database managed by IEDC but populated by LEDOs
- IEDC provided training sessions for LEDOs

REGIONAL SITE TOURS BY IEDC STAFF

- 44 Counties visited within the last 12 months
- Helps IEDC gain better understanding of the assets and needs of each community

BUILDING BETTER COMMUNITIES

- IEDC project managers participated in Regional Impact Workshops

Why is it not 100% realization?
… plans change

- Economy softens
- Competitor becomes stronger
- Supplier shortages
- Automation advancements
- Timeline is delayed
- Poor management

HOW WE AUDIT

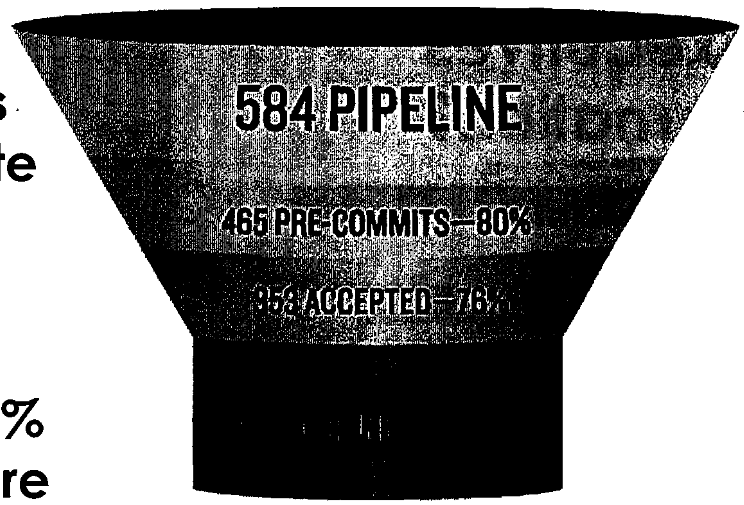
- Companies are required to send an annual line item spreadsheet by all project specific full-time, permanent Indiana residents. IEDC then validates and verifies numbers.

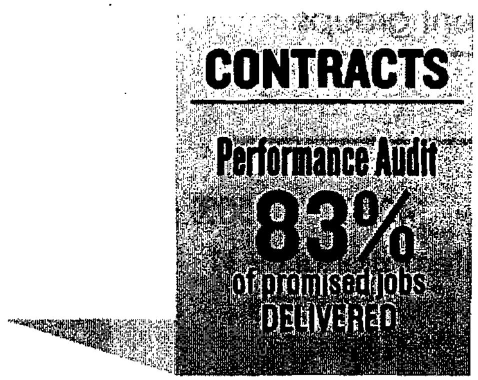

ILLINNOYED
BY HIGHER
TAXES?
SOLUTIONINDIANA.COM

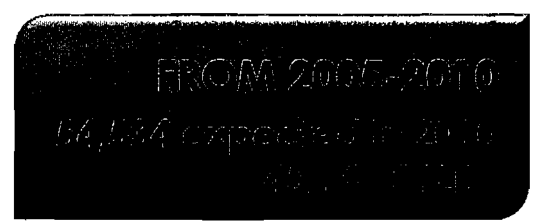
When Indiana is in competition with other states, we win nearly 60% of the time (last 18 months)

- Site Selectors tell us it's the local/regional/state collaboration that sets us apart

- And approximately 83% of the promised jobs are actually filled





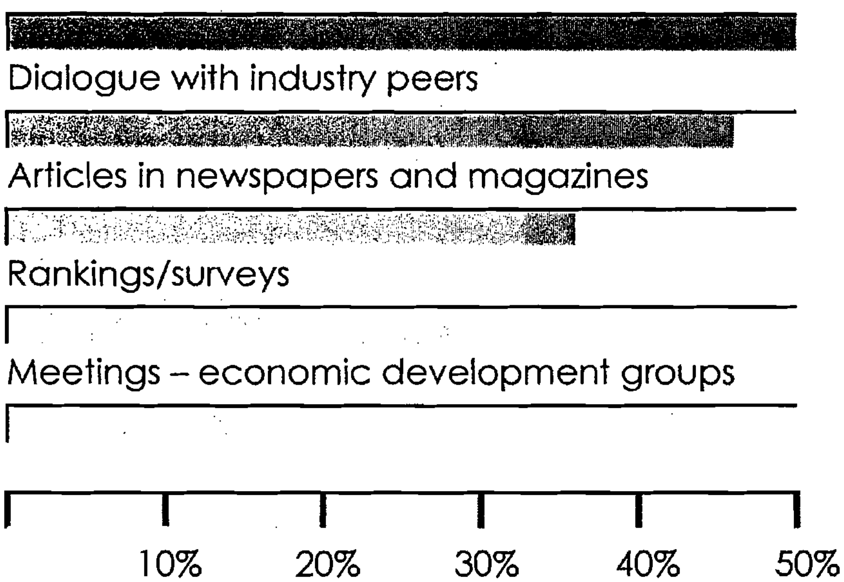


They only receive the benefit of EDGE credits when they have proof the job has been filled.

The secret to success is shots on goal...

Most opportunity to compete

Where do executives get their information?



Source-Development Counselors International 09.11

[redacted]

Our goal should be a future Indiana SO fertile that "additives" are no longer required
...is our soil good enough?

LEGISLATIVE

- ❖ Lowered taxes
- ❖ 15% R&D tax credit
- ❖ Major Moves
- ❖ Real estate tax cap

IMPROVEMENTS

- ❖ WORKFORCE DEVELOPMENT
- ❖ Shovel ready site availability
- ❖ Employer relocation assistance

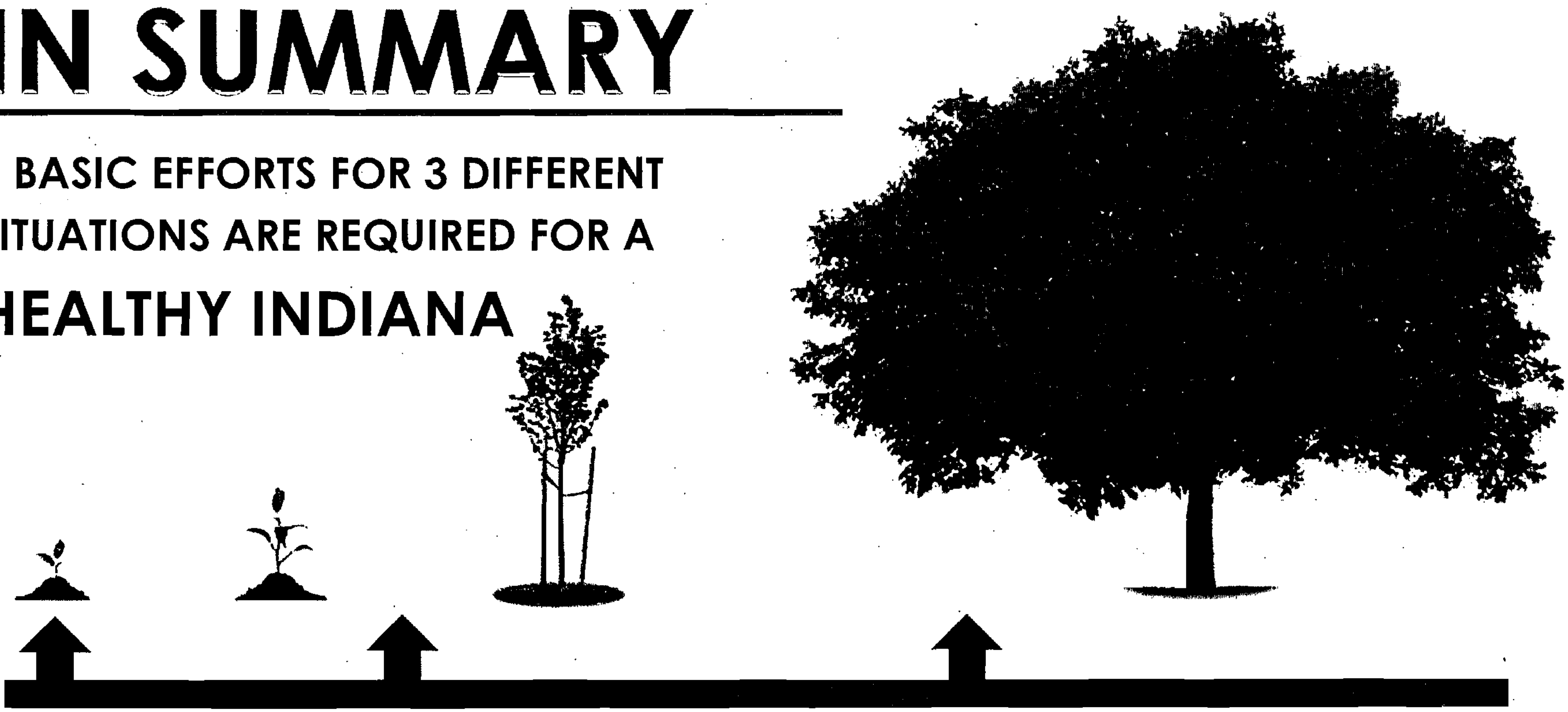
ENVIRONMENTAL

- ❖ Utility rates
- ❖ Workman's comp rates
- ❖ Transportation system

IN SUMMARY

3 BASIC EFFORTS FOR 3 DIFFERENT SITUATIONS ARE REQUIRED FOR A

HEALTHY INDIANA



STIMULATE VENTURE CAPITAL

elevate ventures

SUPPORT SMALL BUSINESS

INDIANA Small Business Development Center

CORPORATE RETENTION AND ATTRACTION

INDIANA ENGINEERING EXCELLENCE

with REDO/LEDO engagement

PURDUE
UNIVERSITY
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Statewide Technology Economic Impact ACROSS INDIANA

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Ex 4

Briefing to Interim Study Committee On Economic Development

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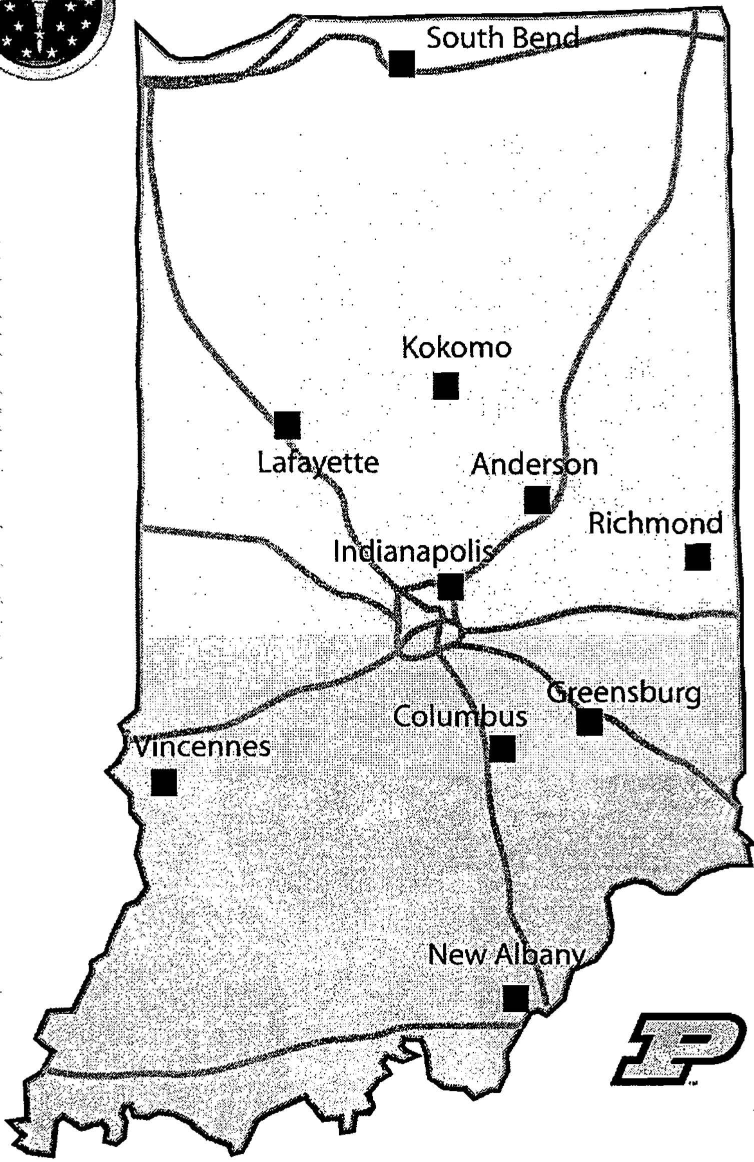
October 11, 2011

RESPONSIVE. RELEVANT. RESULTS



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- Statewide Technology Mission
- Line Item Appropriation
- Statewide Re-engineering
  - Doubling Enrollment
  - Industry Engagement
    - PTG Silicones
    - Red Gold
- Articulation with Ivy Tech
  - B.S. Engineering Technology

RESPONSIVE RELEVANT RESULTS

Network for Technology and Innovation

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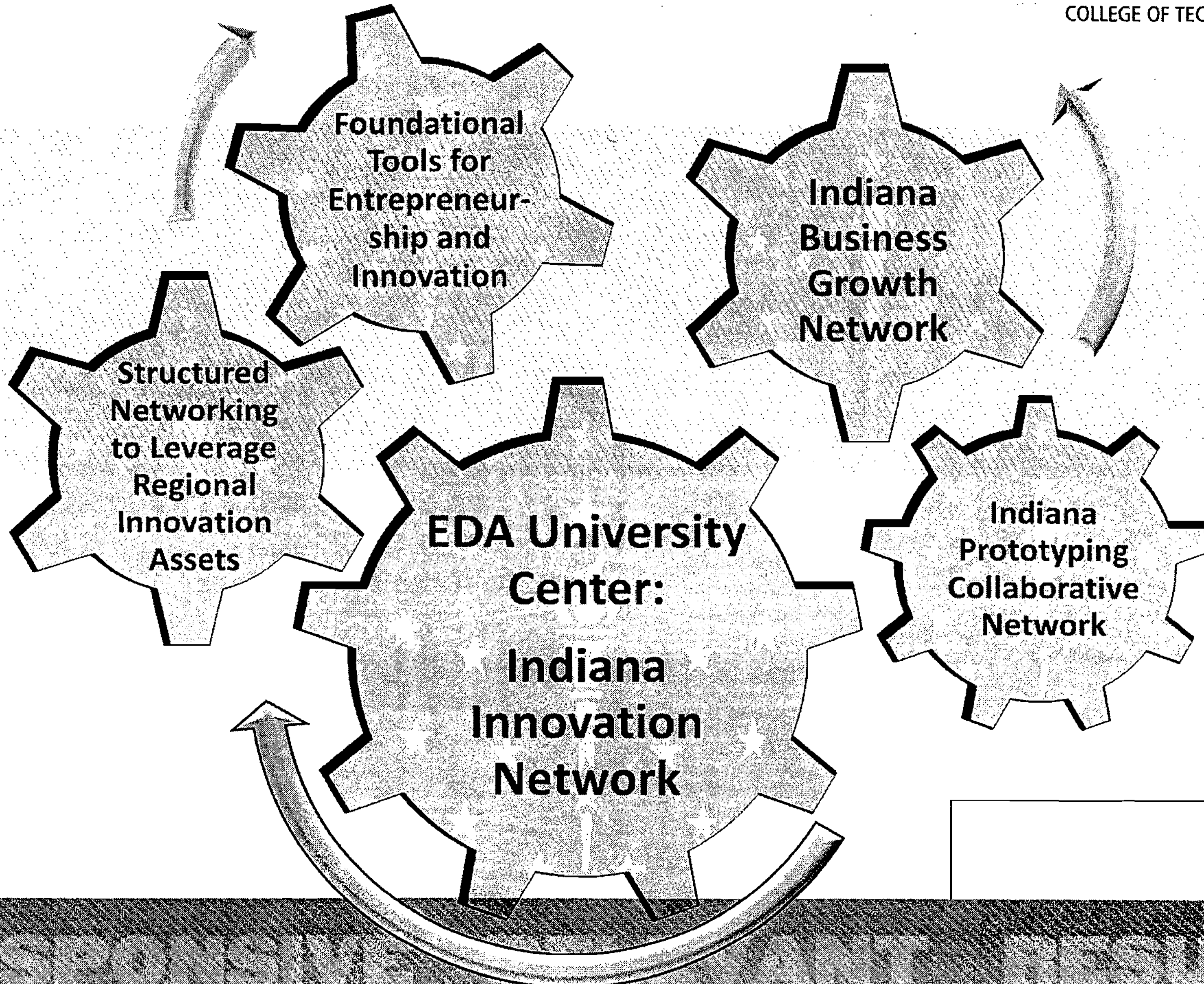

Network for Technology and Innovation

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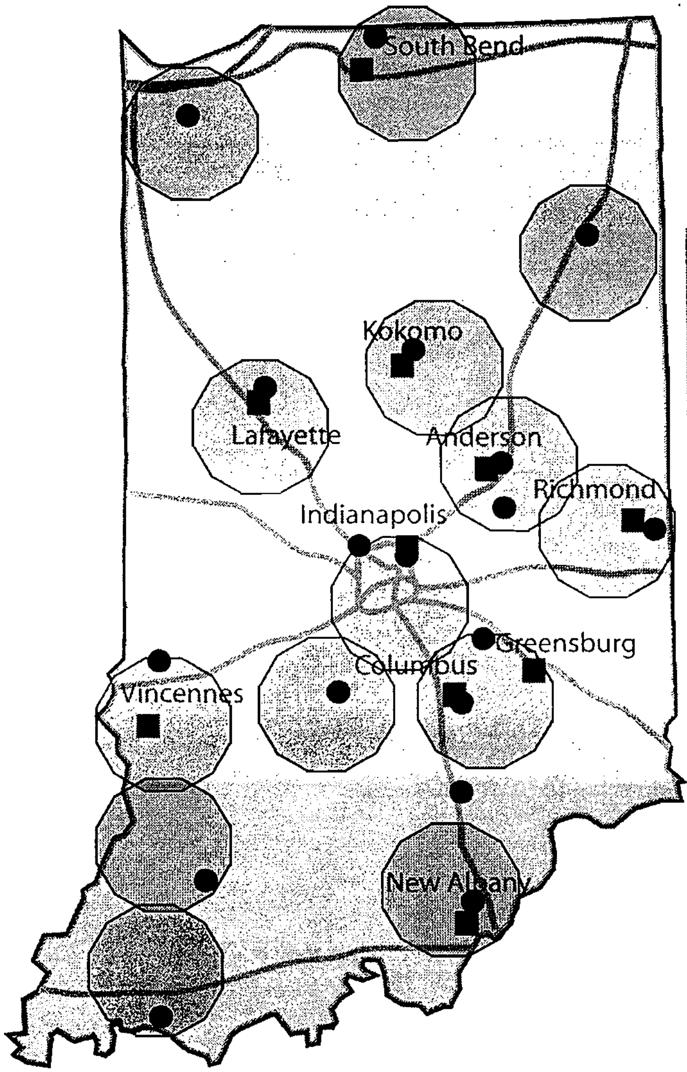

•College of Technology Mission

- •Partner to create a system that leverages educational assets to advance educational attainment for Indiana citizens.
- •Align, link and leverage educational programs to support regional entrepreneurship and innovation clusters

RESPONSIVE · RELEVANT · RESULTS

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EX 5

Aligning, Linking and Leveraging University Assets to Build Regional Economic Ecosystems that Support High-Growth Entrepreneurship

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Opportunity 1: Enhancing and Deploying Foundational Tools that Focus on Identifying, Mapping and Analyzing Regional Innovation Assets and Regional Entrepreneurial Ecosystems

- Expand Local Decision Maker (LDM) to include entrepreneurship and innovation support networks. LDM is a decision support system that includes data layers for land cover and use, demography, environment and natural resources, transportation and mobility, education, economy and labor market, health and human resources, governance, historical and current remote sensing data.
- Provide training and technical support to the Regional Planning Councils.

Opportunity 2: Creating and Deploying Structured Networking and Related Processes for Activating and Supporting Regional Innovation Assets (i.e., aligning, linking leveraging and mobilizing the relevant assets that have been identified and mapped)

- Facilitate Strategic Doing sessions as a key service to Indiana's regional leaders who want to transform their economies by leveraging their regional innovation assets
- Link the CTP across Indiana with regional organizations such as the Indiana SBDCs, the regional planning council members of IARC, USDA Rural Development (especially their business development loan/grant programs) and others; the *linking* of key organizational resources to leverage assets
- Conduct Entrepreneurship Investigation programs throughout the state to stimulate youth entrepreneurship
- Regional IARC conferences – we will help design, host and implement five regional conferences strategically located across Indiana over the next five years. To ensure that these regional conferences have the maximum impact, our UC will partner with IARC to create and implement strategic activities as a follow-up to each regional conference.
- LEEP is a navigational tool designed to assist regions in learning from one another, leading to new strategies for accelerating innovation. We will extend LEEP to include "success stories" or case studies of exemplary regional initiatives so that it serves in part as a platform for creating a vibrant learning community to support our regional entrepreneurial ecosystem.

Opportunity 3: Building the Indiana Business Growth Network

- Expand Economic Gardening workshops for second stage companies in three regions of Indiana.
- Expand Companies to Watch program to increase awareness of these vital companies and the importance of strong regional entrepreneurial ecosystems to support their growth.
- Given the pivotal role of second-stage firms to employment growth and prosperity, we will systematically nurture and develop regional networks around these firms by Building Business Networks around Second Stage Companies.

Opportunity 4: Creating an Indiana Statewide Prototyping Collaborative Network

- A common barrier to creating a commercial prototype of a "product idea" is access to resources. Prototypes are essential parts of innovation because they are used to 1) test a market niche/validate a market demand, and 2) proving product functionality. In short, prototypes are essential for testing hypotheses about different product markets. The IPCN will identifying, link and leverage prototyping assets into a robust statewide network to dramatically expand Indiana's commercialization capacity